



cores
Sustainability
report
2019



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LETTER FROM THE CHAIRWOMAN

It is a great pleasure to address you all for the first time as the Chairwoman of the Corporation for Strategic Stocks of Petroleum Products (CORES), a position I have been honoured to hold since the 24th of January this year, and the first woman in the role.

The early months of 2020 have clearly been marked by exceptional circumstances due to the coronavirus pandemic and have served as a reminder to us all of the fragility of our societies in the face of events beyond our control. For this reason, now more than ever, our CORES team has worked, and continues to work, to ensure the security of supply of hydrocarbons and the maintenance and control of strategic stocks in Spain, under the aegis of the Ministry for the Ecological Transition and the Demographic Challenge (MITECO).

Now, to coincide with the 25th anniversary of the Corporation, I proudly present the first CORES Sustainability Report, which will take the place of the previous Annual Activities Reports. In this way, the Board of Directors aims to establish its voluntary commitment to sustainability, sharing the concerns of society as a whole and the trends within the world energy outlook towards satisfying the needs of the current generation without sacrificing the welfare of those to come.

We always aim to value the ethical, social and environmental concerns connected to our function. For this reason, we have included content related to sustainability, always considering the standards of the sector. Throughout our activities we seek to contribute to the sustainable vision of Spain, key to the future of our country, as well as the attractiveness of the Corporation for investors and financial institutions

Of course, I would also like to express my gratitude for the time and effort which all the members of the team are devoting to the pursuit of our activity, especially during these unprecedented times due to the pandemic.

CORES will continue to execute its responsibilities within the current legislative framework, promoting sustainability as the basis for the proper conduct of this function.

Juana María Lázaro Ruiz



1. CORES' COMMITMENT TO SUSTAINABILITY AND THE ENVIRONMENT

With the aim of contributing through its activity to value creation for Public Administration, the energy sector, society and the other agents with whom it has relations, **CORES has taken on a commitment to incorporate sustainability and an active concern for the environment into its operations.**

CORES has assumed a voluntary commitment to sustainability and the environment

CORES' concern for specific questions such as the promotion of innovation and good practice within the sector, and maintaining ethical and objective behaviour, as well as transparency in the performance of its activities, has led to the Corporation assuming a **voluntary commitment** to sustainability and the environment. As a result, without any legal requirement, but following the practices of the major hydrocarbon sector companies which do have such an obligation, CORES has taken on this activity in a voluntary manner, striving for responsible management based on sustainable criteria.

For this reason, for the first time, **the Corporation is publishing the review of its annual activity in the form of a Sustainability Report** in line with international standards for sustainability reporting.

In addition, CORES wishes to promote the same commitment to sustainability and the environment among its suppliers, especially the petroleum products storage companies where the strategic stocks are located, as the Corporation has few installations of its own. For this purpose, in the near future, CORES will take new steps to define the requirements and mechanisms to boost sustainability and care for the environment among its suppliers, reinforce the adoption of good practices on their part and, in short, to ensure compliance with the highest standards of sustainability and environmental awareness.

This initiative is also aimed at reinforcing the **sustainable image of Spain**. CORES collaborates with and acts on behalf of Public Administration at a number of forums and international bodies related to the security of supply, representing the Spanish operational system in this area.



Adequate performance in terms of sustainability and the environment is key for investors and financial institutions

Last, but not least, the performance of our activities in line with sustainability and environmental criteria provides an opportunity to improve the **attractiveness of the Corporation for investors and financial institutions** who increasingly value and demand adequate management of all related ethical, social and environmental issues from the companies in whom they invest.



2. CORES' CONTRIBUTION TO THE SECURITY OF SUPPLY OF HYDROCARBONS IN SPAIN

CORES is the central stockholding entity in Spain, as defined by Directive 2009/119/EC. It contributes to ensuring the security of supply of hydrocarbons through the maintenance of strategic stocks of petroleum products and via the monitoring of the minimum security stocks of petroleum products, liquid petroleum gas (LPG) and natural gas in the hands of the industry. In addition, the Corporation produces statistical reports on the hydrocarbons sector, and collaborates with the various Public Administrations providing information and consultancy.

2.1. Spain, Security of supply and CORES

Brief history of the security of supply

Spain has always been a country which has relied heavily on energy sources from abroad, with practically all the oil and natural gas consumed provided by imports. As a result, and in order to ensure the security of supply of hydrocarbons in the country, it is vital to **maintain reserves of petroleum products**, which are essential to prevent the interruption of activities dependent on energy in the event of a supply crisis.

The establishment and maintenance of reserves of petroleum products in Spain can be traced back to 1927, making our country a **pioneer in security of supply**. This is also the case with natural gas, where reserves have been maintained since 1998, which is exceptional among countries within its sphere.

Spain has been subject to international obligations since 1974, when the **International Energy Agency (IEA)** was established as a result of the shortage of crude oil and petroleum products which occurred among the member states of the Organisation for Economic Cooperation and Development (OECD) following the geopolitical crisis of 1973. The IEA was set up as a body independent from the OECD, with the objective of guaranteeing the supply of liquid hydrocarbons for its member states of which Spain was a **founding member**. In this way an obligation was established to maintain reserves of crude oil and petroleum products equivalent to a minimum of 90 days' net imports, although this did not actually alter Spanish regulations as this requirement was already in place.

The IEA may resort to joint action, coordinated among this group of countries, for shared management of the available reserves in the event of a supply crisis. Such action is



focused on alleviating interruptions to the supply of oil in the short term, whether by increasing supply (releasing reserves) or reducing demand (implementing restrictive measures, replacement of fuel, activation of extra crude oil production or temporary relaxation of fuel specifications).

Within the European sphere, the European Economic Commission in December 1968 issued Directive 68/414/EEC which obliged member states to maintain a minimum level of reserves of crude oil and/or petroleum products equivalent to at least 65 days' consumption. This regulation has been successively modified and **Directive 2009/119/EC** is currently in force, which establishes the same requirements as the IEA. As a result, and since joining, Spain has been subject to a double obligation, that of the EU and the IEA.

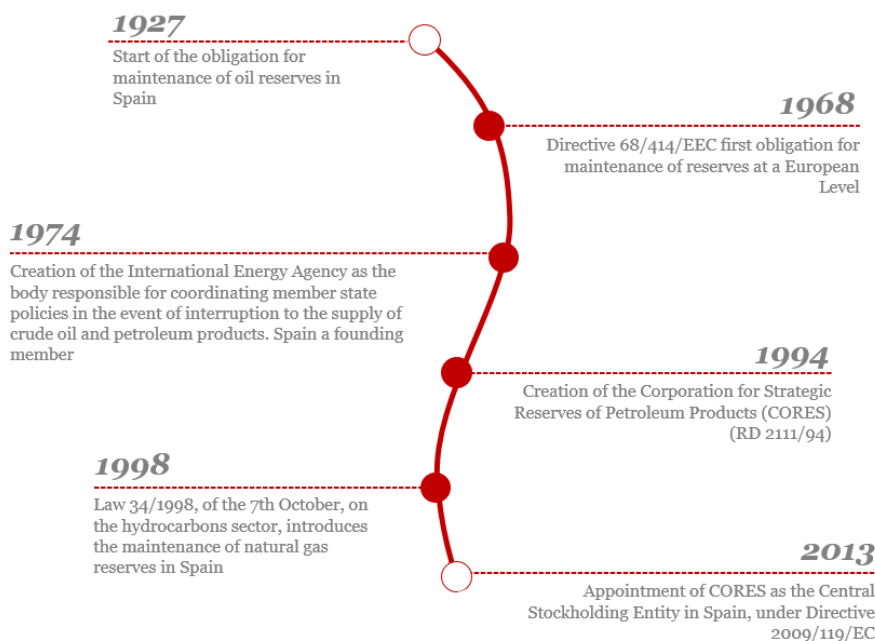
The creation of independent entities devoted to the maintenance and management of strategic stocks has been the most common model among the countries within our sphere when implementing the international obligations for the maintenance of stocks at a national level. Directive 2009/119/EC promotes the existence of these types of body as the most efficient way of maintaining and managing reserves from an operational, financial and security of supply perspective.

In Spain, via Royal Decree 2111/1994, dated 28th October, **the Corporation for Strategic Stocks of Petroleum Products** was founded, in accordance with Law 34/1992. Subsequently all related regulations were repealed in favor of the current legislation, Law 34/1998, dated 7th October, governing the hydrocarbon sector, and Royal Decree 1716/2004, dated 23rd July, which regulates the obligation for maintenance of minimum security stocks, the diversification of natural gas supply and the corporation for strategic stocks of petroleum products.

In December 2013, CORES was appointed Central Stockholding Entity under Directive 2009/119/EC, which defined it as the “body or service to which powers should be conferred to act in the acquisition, maintenance or sale of oil reserves”.



CORES History



Source: CORES

2.2. Maintenance model for strategic stocks in Spain

Currently, various models exist by which countries around the world respond to their obligation for the maintenance of reserves. In the specific case of Spain, Law 34/1998, governing the hydrocarbons sector, and Royal Decree 1716/2004 establish a **security of supply system of a mixed type**, which involves a sharing of the obligation for the maintenance of reserves between CORES and the industry. Under Spanish legislation, these reserves are known as minimum security stocks.

This obligation, which in the case of the **main petroleum products** (gasoline, diesel, kerosene and fuel oil) involves the maintenance of a volume equivalent to **92 days' consumption or sales** over the previous year in national territory for each of the products listed, to be shared between 42 days for CORES and 50 days for the entities which supply the national market, in such a way that full national consumption is covered. The minimum level of security stocks held by the Corporation are known as strategic stocks. The obligated entities (wholesale operators, retailers and consumers who import petroleum products) may request from CORES an increase to the strategic stocks constituted in their favour, up to 100% of their obligation, provided the Corporation has sufficient reserves, as will be explained later.

In the case of **liquid petroleum gas (LPG) and natural gas**, the maintenance of reserves obligation is equivalent to **20 days' consumption or sales** from the previous



year, falling entirely on the entities which supply the national market (LPG wholesale operators and retailers and consumers who import LPG, and natural gas shippers and direct consumers who import natural gas).

Law 8/2015 introduced the possibility that CORES should maintain part of the strategic stocks of natural gas, providing the necessary legal provisions for it to act as an obligated entity within the gas system, although this is still awaiting regulatory implementation.

Obligations for the maintenance of minimum security stocks in Spain



Source: CORES

Advantages of the mixed model

The mixed security of supply model which exists in Spain offers various advantages over the other alternatives. One that stands out is the **operational flexibility in the event of a supply crisis**, given that the Council of Ministers, who under article 39 of Royal Decree 1716/2004 would adopt the opportune measures in the event of a crisis, would decide the allocation of both CORES reserves and those held by the industry. The particular nature of the Spanish logistics system encourages this flexibility, facilitating the movement of stocks and their connected or independent storage.

In addition, the mixed system allows the **financial burden to be reduced** for the obligated entities for petroleum products, as part of the stocks are Corporation assets. It also reduces the costs of the system, as the Corporation has access to the **financial markets** in better conditions than most of its members.



The Spanish model also ensures **control over all the minimum security stocks**, given that the entities required to maintain them have to provide full periodic information to CORES regarding their operations, guaranteeing that necessary stocks are in place to cover the equivalent consumption days. As such, control over the issued information is fundamental to the model.

The Spanish system is **distinctive** from that of other countries in its sphere, and has been recognised by the leading international bodies, particularly the IEA, which in its 2011 and 2016 periodic reviews praised Spain for the security of supply system in general, and particularly the information system, which will be explained later.

2.3. CORES legal framework

The essential national legislation which governs CORES operations consists of Law **34/1998** on the Hydrocarbons Sector and Royal Decree **1716/2004** which regulates the obligation for maintenance of minimum security stocks, the diversification of supply of natural gas and the Corporation for Strategic Stocks of Petroleum Products.

CORES was founded as a **non-profit Public Law Corporation** which acts in the public interest and is subject to private law as an independent legal entity. It acts under the aegis of The General State Public Administration as exercised by the Ministry for the Ecological Transition and the Demographic Challenge, but is independent in terms of its operational and financial management.

As will be explained below, CORES finances its operational activity on the basis of **fees** which the obligated entities maintaining minimum security stocks are required to pay according to their sales or consumption. Corporation assets (essentially, the strategic stocks) are financed on international markets through loans and the issue of bonds. The obligated entities are also required to provide periodic information on the scope of their activity, in a such a way that the Corporation may ensure that Spain always has the minimum security stocks available in line with current legislation.

Given its legal status, the Corporation is made up of **members**. All wholesale operators of petroleum products and liquid petroleum gas, as well as natural gas shippers compulsorily and automatically become members as soon as they start their activity. The members are represented on the Corporation's governing bodies, as will be explained in subsequent chapters. CORES currently has 300 members, with approximately a third being wholesale petroleum product operators and two thirds natural gas shippers.



2.4. CORES' Activities

CORES' activities are defined under the legal framework of security of supply, and may be divided between functions related to operations, which encompass the constitution, maintenance and management of strategic stocks, as well as the physical control of the minimum security stocks in the hands of the industry; and functions related to information, which include the documentary control of the minimum security stocks and the diversification of natural gas, the production of statistical reports and consultancy to Public Administration in matters of security of supply. Both sets of functions have equal importance and together ensure the security of supply of hydrocarbons in Spain.

2.4.1 Management and constitution of strategic stocks

The primary function of CORES, according to current legislation, consists of the **constitution, maintenance and management of the strategic stocks**, which are equivalent to 42 days' consumption. The Corporation maintains reserves of the products included under the obligation (gasoline, diesel, kerosene and fuel oil) according to current consumption in Spain. It also maintains a part of the reserves in the form of crude oil, as permitted under the legislation, establishing percentages for the products subject to the obligation.

2019 Reserves and sales

The level of strategic stocks as of the end of 2019 stood at 7.3 million m³ (Mm³), comprising 31.0% in the form of crude oil and the remaining 69.0% in finished products such as gasoline (7.5%), diesel (54.5%), kerosene (5.7%) and fuel oil (1.3%). This level of reserves is lower than the previous year (-1.3%) after the surplus was considerably reduced through crude oil and petroleum product sales operations in previous years, essentially in 2016 as a result of CORES' implementation of the surplus sale plan produced in compliance with the third additional clause of Royal Decree 984/2015.

Additional days

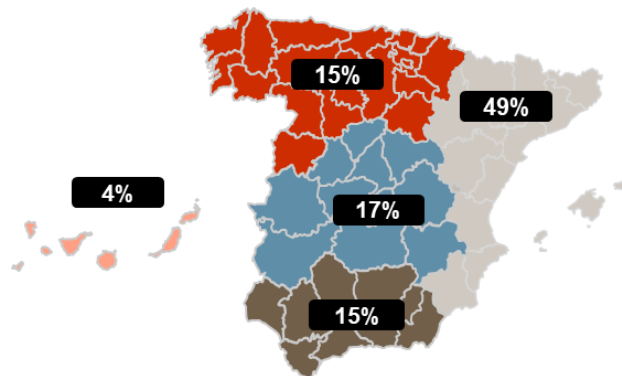
CORES may **cover industry obligations above the established level**, up to 92 days of the total, on the request of the interested companies, according to the approved allocation procedures for additional days for annual and quarterly periods, based on the legislation. Accordingly, the level of compliance in 2019 was satisfied, since, in average values the obligation was 44.5 days, while the calculated stocks were for 45.0 days.



Geographical distribution

The strategic stocks belonging to CORES are spread throughout national territory based on the geographical distribution plan approved by the Ministry, which includes specific conditions on, for example, insularity.

Geographical distribution of strategic stocks as of 31st December 2019



Source: CORES

Spanish logistical system

The Spanish logistical system has been highly competitive since the activity was liberalised in accordance with Law 34/1998 on the hydrocarbons sector. It recognizes the negotiated, transparent and non-discriminatory rights of access to third parties to the more than 4,000 km of oil pipelines and capacity among its 40 logistics companies. The majority of strategic stocks are located in various **storage facilities** owned by organisations, whether logistics companies or refineries, with the adequate technical and operational capacity and under conditions that will allow them to be made available to the market swiftly and efficiently in the event of emergency. These companies, via signed agreements, are responsible for maintaining the quality of the strategic stocks. Operations such as the replenishment of losses or the seasonal changes in gasoline and road diesel are included in each storage company contract, in such a way that no additional costs may be added to the fees paid by the Corporation, which in turn periodically controls and inspects quality and quantities.

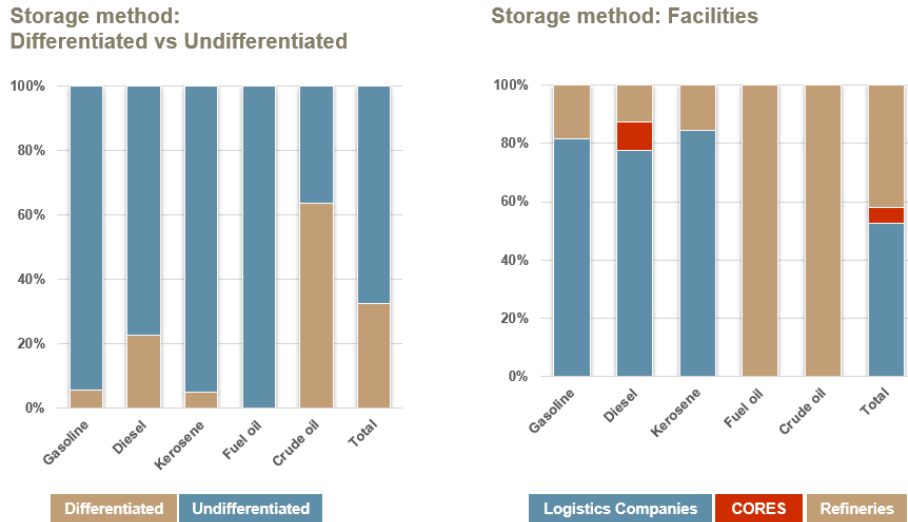
Storage

The majority of reserves are stored in an undifferentiated manner, in other words together with the stocks of other companies, which improves the efficiency of the system given that the product rotates in a natural way, mixed with that used by the industry in its



daily operations. Crude oil is the exception in that, as it is essentially stored in a differentiated manner in refineries. CORES also has its own smaller storage capacity (400,000 m³).

Type of storage by category and fuel as of 31st December 2019.



Source: CORES

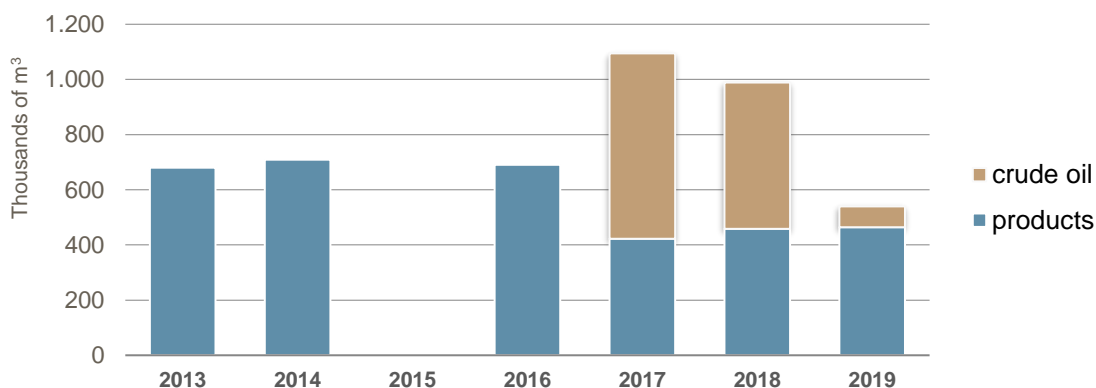
Storage Tenders

Since 2013, as and when specific contracts expire, the Corporation has invited **tenders for storage capacity** open to the entire Spanish logistics sector, for the purposes of covering its storage needs. The procedure is completely transparent, through the publication of the tendering process conditions on the Corporation website, which include clauses on location and connection to the logistics network. The adoption of a tender system is seen to be the only way to guarantee transparency and align CORES' costs with market reality in accordance with the terms of its statutes.

Following the seven tendering processes conducted in 2019, CORES now accounts for a total of eighteen operations of this type undertaken since 2013, fourteen for petroleum products and four for crude oil. The results have been very satisfactory, providing costs adjusted to current market prices, as required under Royal Decree 1716/2004 and in accordance with legislation in regard to transparency.



Relocation and storage tenders 2013-2019



Source: CORES

Exit protocol and release for consumption manual

In the event of a supply crisis, the Corporation needs to be prepared to release reserves for consumption, for which it has **output protocols** in place for strategic stocks from storage facilities. In addition, these protocols form part of the guaranteed physical access and availability demanded by the legislation. Whenever the location of reserves alters as a result of new storage tenders, purchase or sales, CORES will be required to revise and update such protocols in a permanent manner. In addition, the Corporation is currently developing a **release for consumption model**, consistent with a simulation model which enables an anticipation of the movement of stocks and an understanding of the consequences of a possible crisis.

Emergency exercises

In order to guarantee the supply of petroleum products, it is essential to perform checks on the current systems, which also allows the promotion of better practices. Such testing is conducted by means of periodic emergency exercises, both national and international. The Corporation collaborates with the Ministry for the Ecological Transition and the Demographic Challenge in the performance of national emergency exercises, in which hypothetical situations of scarcity of supply are enacted, such as the unexpected shutdown of a refinery or a natural disaster, applying real communications and decision-making procedures of an emergency nature. To date four national exercises have been conducted, twice annually, making Spain an international benchmark.

In Spain, additional international emergency exercises have also been conducted, as promoted by the International Energy Agency (IEA), aimed at involving and ensuring coordinated action by all the member states in the event of an emergency.



Such exercises allow, on the one hand, an evaluation of contingency plans and communications systems in the face of an emergency situation related to the security of supply. On the other hand, they can be used to analyse the data reporting system. The ultimate objective of these exercises is to involve all the relevant parties so that they are prepared to act in a coordinated manner in a supply crisis situation.

2.4.2. Control of industry stocks

As indicated above, the mixed system for security of supply in Spain divides the obligation between CORES and the industry. The obligated entities are required to maintain minimum security stocks equivalent to 50 days' worth of sales or consumption in the case of the main petroleum products (gasoline, diesel, kerosene and fuel oil), and 20 days' equivalent of LPG and natural gas. The Corporation has the authority to **control and inspect** compliance with these maintenance obligations.

Provision of information

The obligated entities are required to submit an extensive package of monthly information to CORES, by the 20th of the following month, as defined under the Resolution of the Directorate General for Energy Policy and Mines, dated 29th May 2007, which approved the new forms for submitting information to the Directorate General for Energy Policy and Mines, to the Spanish National Energy Commission (CNE) and to CORES, as well as the Resolution of the Directorate General for Energy Policy and Mines, dated 15th December 2008, which established the forms for supplying information relevant to the natural gas system. For the exchange of information between the obligated entities the **infoCORES** web application is used, designed to control all information flows and work in a fast and efficient manner, facilitating the traceability, availability and reliability of the data provided, streamlining and modernizing communications.

Failure to provide information is considered a **non-compliance with the conditions** required for maintenance of minimum security stocks, equal to that of failing to hold the corresponding volume, and is regarded as a serious or very serious violation, as defined under Law 34/1998 on the hydrocarbons sector (articles 109 and 110).

CORES conducts an **exhaustive monthly analysis** of the information received, verifying and comparing cross-checks on individual and consolidated information, as well as consistency checks between information from different companies.



Every year, the wholesale operators of petroleum products are required to submit an **audit** of their sales, signed by an accounting auditor, which allows checking of the monthly information against final annual figures, identifying any differences. Natural gas shippers are also required to provide annual sales information, which is verified in the same manner.

Inspections

CORES, by means of its **inspections activity**, executes the directives issued by Public Administration in order to evaluate and inspect the reserves managed by the industry, employing two types of control: physical controls consisting of the inspection of the actual quantities and quality of the stored stocks; and documentary controls based on an analysis of the information the obligated entity is required to submit.

Systematic control of the information enables CORES to detect any non-compliance, which will then result in proceedings which, if confirmed, will be passed on to the competent administrative authorities. Such breaches are considered a serious violation under Law 34/1998 and may lead to the disqualification of the offending entity.

In addition to the continual control processes, CORES produces an annual **Inspection Plan** to define the activities the Corporation needs to undertake in this area. This Plan is designed on the basis of an analysis of the risks incurred by all the obligated entities involved in the maintenance of stocks in the liquid hydrocarbons, LPG and natural gas sectors, regardless of whether any non-compliance has been detected on their part. Risk assessment is defined according to various criteria such as the market structure, history and market share of each entity. In addition, specific requests from Public Administration may lead to further inspection measures.

In the execution of these activities, the Corporation applies the procedures established in its **inspection manual**. These procedures are based on objective criteria which guarantee traceability and strict adherence to applicable regulations.

Recent changes to Inspection Procedure

The supervision and control of the minimum security stocks maintained by the industry, as exercised by CORES, has recently presented **significant challenges in the face of a new environment** which has seen a growing number of obligated entities, combined with a wider variety in the nature of their operations. As such, the ever-greater complexity of the sector has required progressive renewal with an increased frequency of



inspections, as well as less time to devote to each file in order to attempt to identify as quickly as possible those entities failing to comply with their obligations and/or involved in allegedly fraudulent activities.

In order to confront the challenges and new cases presented, it was necessary to adapt both the organisation and operation of the Corporation, focusing on changes in four main areas: renovation of processes and control procedures, a review of internal organisation, improvement to the coordination and collaboration with other agents and optimisation of the management of information.

Consequentially, the changes introduced to this activity were initially focused at an organisational level. In 2017 CORES created the **Inspection Division**, dedicated, alongside its direct inspections work, including the processing of the corresponding files and proposed action in the event of detected non-compliance, to overseeing reforms and innovations to the processes involved - in line with the measures defined in the Corporation's Strategic Plan. Secondly, CORES proceeded to adapt internal and external processes via automation and standardisation.

CORES information systems

In order to conduct its control and inspection tasks, as well as its other functions, CORES works using **computerised systems** designed to increase availability, performance, security and modernisation of technological infrastructures, as well as ensuring appropriate levels of service in terms of systems, applications and communications within the Corporation.

2.4.3 Control of the diversification of natural gas supplies

Article 99 of Law 34/1998 on the Hydrocarbons sector and article 3 of Royal Decree 1716/2004 both specify that Spain should have **adequate diversification of natural gas supplies**, in such a way that no more than 50% of supply should come from the same country of origin, according to the current limit. In the event that this limit is exceeded, all shippers with a share above 7% must diversify their portfolio below 50%, with Ministry for the Ecological Transition and the Demographic Challenge (MITECO) responsible for defining the terms for compliance with this diversification obligation.

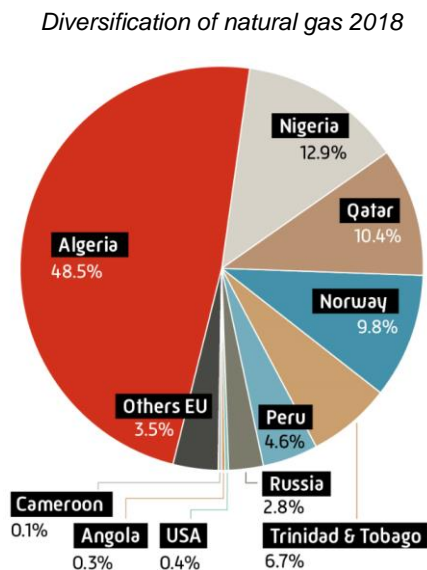
This regulation is somewhat **unique**, given that other countries in the sphere, which are in practice largely dependent on a single source of origin, do not fix diversification requirements, which actually lead to greater security. In this way Spain is a pioneer in



the security of supply of natural gas, both in terms of the maintenance of stocks obligation, as well as the diversification of supply.

Among its other functions, CORES is responsible for the monitoring of compliance with the diversification of natural gas supply obligations, submitting the information annually to the Ministry.

The controls conducted during 2019 to calculate the diversification percentages of imports over the course of 2018 indicated that 48.5% of supply came from Algeria, below 50% for the second consecutive year.



Source: CORES

2.4.4. Information Resource

Access to full, timely and quality information, is essential to the security of supply system, ensuring that all the necessary data is available in the event of a crisis.

Submission of information

As part of the legal obligation for maintenance of minimum security stocks, as explained above, and in accordance with article 5 of Royal Decree 1716/2004, all sector operators

The CORES information system is geared to the service of security of supply

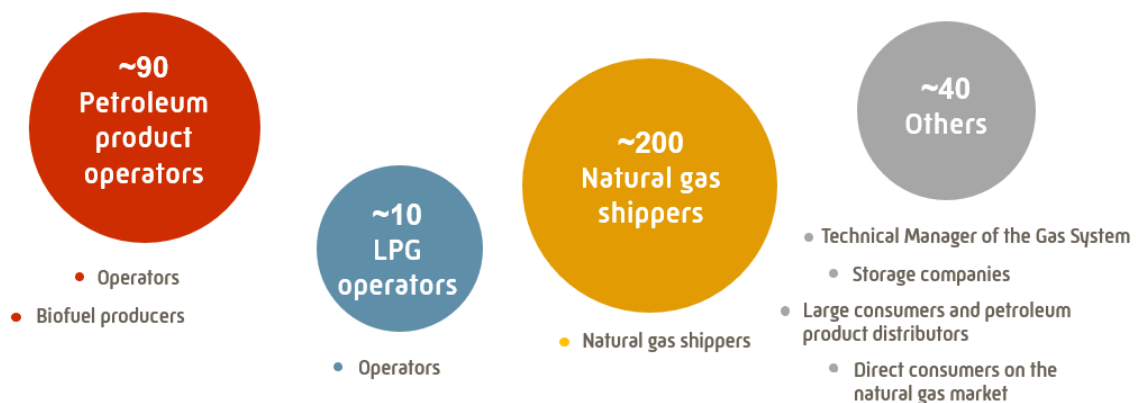
are required to submit monthly information on their activity, via the infoCORES website platform, as stipulated under the Resolution of the Directorate General for Energy Policy and Mines, dated 29th May, which approved the new official forms for submitting information equally to the Directorate, CNE and CORES, as well as the Resolution of the Directorate General for



Energy Policy and Mines, dated 15th December 2008, which established the forms for natural gas system entities to provide similar information. This same obligation also applies to other sector operators not required to maintain stocks, such as petroleum product storage companies, the technical director of the gas network and natural gas distributors, in such a way as to ensure the collection of **information from the entire oil and gas sector**.

CORES' information system is thus specifically designed in **the service of security of supply**. It combines information provided monthly by more than 330 operators representing the entire national oil and gas sector, who send in details of all their operations including imports and exports of products and raw materials, purchases and sales between operators, sales on the domestic market by channel and region, information on international maritime shipping and biofuels, stocks and their location, storage services and all other related data. Unlike other countries, Spain, via the Corporation, holds updated **current information on the whole market less than a month old**, as all data must be provided by the 20th of the following month.

Sector operators with an obligation to submit information to CORES

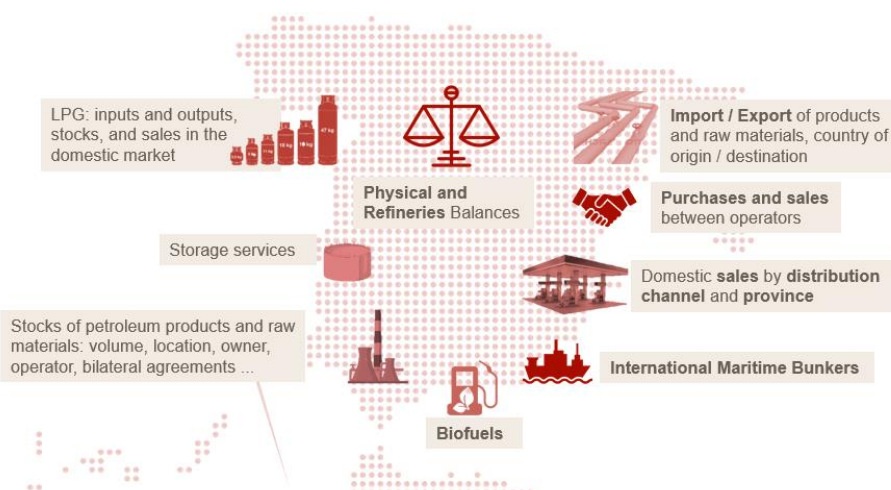


Source: CORES

As explained above, CORES conducts a comprehensive monthly analysis of the information provided by the obligated entities. The audits presented by the operators and the monitoring performed combine to ensure that the best possible information is always available to guarantee security of supply.



Type of information requested monthly from the obligated entities (Example: Petroleum products)



Source: CORES

The IEA, in one of its latest reviews, especially highlighted the efficiency of the Spanish information system: *“Energy data plays a fundamental role during normal times and during emergencies. The Review Team notes the very robust collection system Spain possesses to capture and analyse oil and gas data. Therefore, the Review Team commends Spain for its very robust data collection system and would encourage it to ensure it remains so.”*

Production of statistical reports

Thanks to the information which Corporation members and other obligated entities are required to submit under current legislation, CORES maintains a comprehensive database to support its function of producing **detailed statistical reports on the hydrocarbons sector**. The Corporation is jointly responsible for various sections of the **National Statistical Plan (PEN)**. Specifically, since the 2014 Program of PEN 2013-2016, approved by Royal Decree 1017/2013, it has been entrusted, alongside the Sub-directorate General of Hydrocarbons, with a statistical report on the petroleum products market and the elaboration of the methodology for the sectorisation of petroleum product consumption, as well as participation in operations related to energy products and energy balance with information on natural gas and petroleum products.

Sectorisation

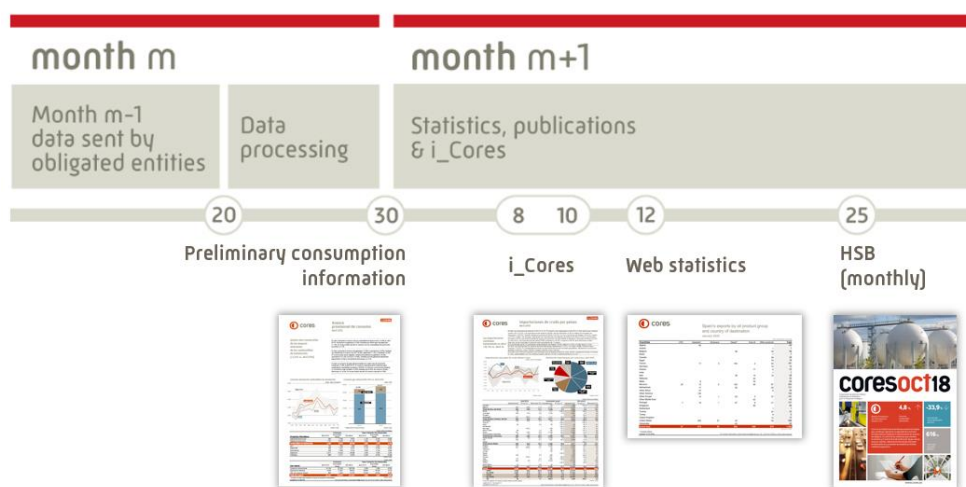
In regard to sectorisation, this process consists of the **breakdown of consumption into 25 petroleum products and a total of 45 economic sectors**, identified by energy and non-energy use. In 2014 more than 150 models were designed for estimating consumption by product and sector. Every year work continues to maintain and improve this information by monitoring and updating the models developed.



Statistical activity

As part of its statistical activity in line with the PEN, CORES publishes on its website www.cores.es **23 series of updated statistics and 7 annual sets of statistics** on consumption, imports & exports, balance, production balance and stocks of petroleum products and natural gas in Spain. These statistics are updated on the 12th of each month relative to two months earlier, and in some cases include data from as far back as 1960, with more than 300 publications available in both Spanish and English.

Chronology of CORES information



Source: CORES

In addition to the statistics, CORES makes available to the general public a series of **periodic publications**, such as the Hydrocarbons Statistics Bulletin (HSB), released monthly, and the Annual Statistical Report, produced in a bilingual format, as well as the so-called i_CORES - brief reports which include significant data on advances in consumption, imports of crude oil, imports and exports of natural gas etc., which allow a quick view of the market situation and have a wide circulation in the press. It should be mentioned that the HSB includes, as well as data from CORES, other content expressly requested by MITECO, such as primary and final energy balances and product prices, as part of its statistical function.

International Reporting

As regards the international sphere, the Corporation participated in the **reporting of data to international bodies**, such as the IEA and Eurostat, providing the Ministry with a large share of the information on the hydrocarbons and natural gas sectors which must be duly submitted by the Spanish government. Specifically, CORES currently produces



63 international questionnaires for MITECO each year, and collaborates on 4 others, all of which are necessary for Spain's international obligations. These include publications released both monthly: JODI (Joint Organisations Data Initiative) Oil, JODI Gas, MOS (Monthly Oil Statistics), MGQ (Monthly Gas Questionnaire); and annually: Mini-Questionnaire and AOS (Annual Oil Statistics), on crude oil and petroleum products and Biofuels Survey, also producing information for annual questionnaires on both gas (Mini and AGS) and renewable energy (Mini & REN). This reporting process is continually being revised by Eurostat and the IEA, resulting in ever-increasing information requirements (new forms, expanded sector analyses, additional products, etc.) and earlier delivery dates.

2.4.5. Consultancy to Public Administration Bodies

Another of CORES' functions is collaboration with the various Public Administration bodies in providing information, consultancy and other assistance in relation to their sphere of jurisdiction. In this area the Corporation provides **technical support** to MITECO for activities related to both security of supply issues and statistical data on the hydrocarbons sector as explained in the previous section.

As part of its collaboration with the Ministry, CORES attends **meetings and working groups** set up by the IEA and Eurostat to address both security of supply and energy statistics issues, in a technical support role. These include ordinary and extraordinary sessions which the IEA organizes at its headquarters in Paris, as part of the Standing Group on Emergency Questions (SEQ) and the Standing Group on the Oil Market (SOM). Alongside MITECO, the Corporation also attends various European framework meetings, especially those of the Oil Coordination Group (OCG) held in Brussels.

In terms of international events related to energy statistics, CORES regularly accompanies MITECO providing technical support at meetings held at the IEA and Eurostat, attended by all the member states, and also forms part of smaller working groups looking at statistics on transport and raw material imports and exports.

In addition, CORES is also involved on the Hydrocarbons Advisory Council and participates in the processing of various records of public information for those who require it. In this way, it maintains an active presence and direct contact with the oil and gas markets, at both a national and international level, taking part in forums and sector events, especially those related to security of supply.



2.5. Financing of CORES and its activities

CORES' status as a public law corporation means it has no share capital and relies on financing from third parties. As a result, CORES' financial policy has the primary objective of obtaining the resources necessary to finance its assets and cover the operating costs involved in its activity, while its financial management seeks to control and reduce risks, as explained below.

CORES' financial management controls and reduces risks

Asset financing

Strategic stocks make up more than **90% of CORES assets**. These reserves are valued at the purchase price, as stipulated under article 52 of Law 34/1998 on the hydrocarbons sector, although their current market value is much higher, as they were acquired during a period of low prices (+75.9% as of 31st December 2019). In the event of sales of reserves, these must be made at a price equal to or higher than the average weighted value (except on the express approval of the Ministry) and any capital gains generated must primarily be used for the liquidation of debt.

For asset financing, and for the purposes of diversifying sources of finance, CORES uses **long-term external resources**, which account for more than 80% of its liabilities, via two main sources: bilateral loans from financial institutions and bond issues on the national and international market.

As a result, the **credit rating** which CORES receives is particularly significant. For this reason, it has worked continually to respond in advance to all the issues which might reinforce its financial guarantee status from the perspective of agencies and investors. The Corporation currently has contracts with two international credit ratings agencies, Fitch Ratings and Standard & Poor's. It should be highlighted that CORES' rating is linked to that of the Kingdom of Spain, given that these agencies consider the Corporation to be an entity related to Public Administration. In 2019 the rating was revised upward from an A- to A by Standard & Poor's, while with Fitch it remained at A- in 2020.



Evolution of the CORES credit rating compared against that of Spain



Source: CORES, macro data

Generating trust among investors and credit providers is thus a key issue for CORES. The Corporation promotes the continual implementation of best practices in corporate management and good governance. Likewise, it constantly analyses the trends which affect the capital markets, having detected a growing tendency among investors to request information related to sustainable and ethical management from the companies they deal with. For this reason, CORES is for the first time publishing its annual activities in the form of a Sustainability Report, with the aim of presenting essential aspects related to the environment, society and governance.

Operating costs and fees

The main cost for CORES is the **leasing of storage and maintenance services** for strategic stocks, which represents more than 75% of total expenditure. The Corporation closely monitors all the items associated with its storage activity, including those related to the rotation and seasonality of the product, insurance, compliance with technical issues, etc. This monitoring allows better traceability of costs and more efficient management. Over recent years, tenders for storage services have allowed a significant reduction in both costs and unused contracted capacity, in such a way that there is now no unnecessary or surplus storage capacity.



The essential costs of Corporation activity are covered by the fees paid by the obligated entities involved in the holding of minimum security stocks, who make monthly or annual payments according to their sales or consumption, in such a way that a stable and reliable revenue structure is maintained.

CORES has a stable and reliable revenue structure, as well as a finance system based on fees determined and payable by Law

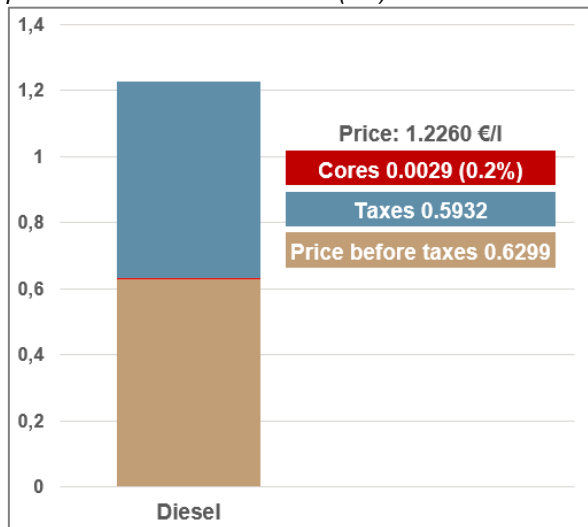
The **fee structure** is based on the annual budget for revenue and expenditure, which includes forecasts for future demand and the financing measures necessary to fulfil the objectives of the Corporation. As a non-profit making entity, CORES' budget balances income with costs. The budget is approved by the Board of Directors and presented to its members at the General Assembly. The proposed fee structure is then submitted to the Ministry for the Ecological Transition and the Demographic Challenge for ratification in the form of a Ministerial Order.

It should be highlighted that the current fee represents a minimal percentage of the price of hydrocarbons for the final consumer. In the case of road diesel, for example, in December 2019 it amounted to 0.2% of the retail price.

In addition, over recent years the Corporation has reduced the fee structure for the majority of products, both interannually and when presenting a new fee structure for the final months of the year. This reduction is consistent with the policy of maintaining fees in line with reality and adapting revenue to the behaviour of the markets. In this way the aim is to promote a fairer translation of costs to the consumer and a more efficient financing of the system.



Impact of payment of fees to CORES on the average price of diesel December 2019 (€/L)



CORES Fees

Products	2017*	2018*	2019*
Gasoline (€/m ³ /day)	0.0728	0.0720	0.0678
Kerosene y diesel (€/m ³ /day)	0.0727	0.0723	0.0699
Fuel oil (€/Tm/day)	0.0728	0.0731	0.0725
Natural gas (€/GWh)	4.81	4.77	4.52
LPG's (€/Tm)	0.12	0.11	0.11

* Effective weighted fee.

Source: CORES

Since the appointment of CORES as the Central Stockholding Entity for the Kingdom of Spain, under Directive 2009/119 EC, the Corporation has been recognised as an **entity of general interest** within the regulatory scope of an area so strategically important for the economic development of a country as the energy sector (article 52.2 of Law 34/1998, on the hydrocarbons sector). As such, although it is still not officially part of the public sector, State financial support is potentially available under the legislation which allows MITECO to approve extraordinary fees payable to the Corporation, as stipulated under article 25.3 of Royal Decree 1716/2004.

In particular, the health crisis resulting from COVID-19 and the declaration of a state of alarm through Royal Decree 463/2020 of the 14th March, has had the effect of producing an unprecedented fall in demand for petroleum products, liquid petroleum gas and natural gas, with a corresponding impact on the financial stability of the Corporation. As a result, in light of the effects of the crisis caused by the coronavirus, approval was given via Order TED/456/2020, dated 27th May, for special fees between June and September 2020, in addition to those already approved under Order TEC/1262/2019, of 26th December.



Additional CORES revenue

CORES may obtain additional revenue by **optimising its surplus of reserves**, provided this has been reduced significantly over recent years. It should be taken into account that part of this quantity is reserved in case of possible consumption increases over the coming years, and as such is not considered surplus.

The strategic management of this surplus allows the sale or trade of excess stocks above the obligatory level on the prior agreement of the Board of Directors, provided the sale or trade is produced at a price or value equal to the average weighted acquisition cost, or at the market price, if this is higher. If the sales price or trade value is lower than this average cost, authorisation from the Ministry for the Ecological Transition and the Demographic Challenge will be required.

Over recent years, the Corporation has been executing its surplus sales plan, in line with Royal Decree 984/2015, and as a result has sold a limited volume of its strategic stocks through tendering processes. However, the main objective of management has been to focus on the optimisation of surpluses, in other words offering the obligated entities the chance to delegate their obligation to the Corporation up to 100%, in accordance with current legislation, which gives priority to those entities with a lower volume of sales. This has a positive impact on the system as a whole, due to the fact that it offers the obligated entities an alternative way of complying with the maintenance of minimum levels of security stocks and reduces the costs of the system.



3. CORES' SPHERE OF OPERATION

3.1. Trends in the world energy outlook

Principal energy trends

With the aim of helping to ensure the security of supply of hydrocarbons in Spain, and as part of its mission, CORES monitors the evolution of the energy sector, its politics and principal trends.

CORES monitors the state of the market to anticipate the principal trends

The increase in population, growth in demand for natural resources and rise of the middle classes have all been contributing towards a steady surge in **energy demand worldwide**. According to figures from the International Energy Agency (IEA) published in November 2019, between 2010 and 2018 energy demand increased 1.4% annually, with oil growing at 1.1% per year and natural gas 2.2%. This growth varied by region, with Europe showing negative figures (-0.7%), compared with steady demand in North America (+0.3%) and increases of 2.6% in Africa, 2.2% in the Middle East and 1.0% in Central and South America. By country, growth was highlighted in China (+2.8%) and India (+3.4%) against maintained levels in the USA (+0.1%) and a fall in Japan (-1.8%), emphasising the difference between OECD and non-OECD countries. In the case of Spain, energy consumption in 2018 stood at practically the same level as 2010, with an annual reduction of -0.04%.

The exceptional circumstances resulting from the worldwide coronavirus crisis have drastically reduced energy demand since March 2020. The course and spread of the pandemic over the coming months, especially the duration of confinement measures, as well as the capacity for response and adaptation of all the affected economic players, will be key to the future evolution of the energy sector, which is currently in a state of high uncertainty.

In all events, whatever the scenario, satisfying energy demand has to be compatible with other global objectives, particularly those related to sustainability, the environment and security of supply.

Global energy intensity (defined as the ratio of primary energy supply to GDP) improved by 1.2% in 2018, approximately half of that for the 2010-2017 period. Improvements to **energy efficiency** are the main instrument for reducing global energy intensity and offer one of the few ways of simultaneously addressing all aspects of energy security.



According to the estimates of the IEA in its World Energy Outlook 2019, energy intensity needs to improve by 3.6% annually to reach a sustainable development scenario in line with the Paris Agreement on Climate Change issued in December 2015.

On the other hand, CO₂ emissions continue to rise, with an average annual growth of 1.1% between 2010 and 2018, highlighting the increase of natural gas among the fuels (+2.1% annually) and transport among the sectors (+2.0%).

Analysis of future demand

CORES analyses the medium and long-term forecasts and trends of energy demand

CORES aims to ensure security of supply in the face of an ever-changing energy scenario

produced by various bodies with the aim of ensuring that strategic stocks meet the requirements and evolution of demand, even though the Corporation's sphere of action is limited to the next 5 years. In addition, CORES has its own methodology for predicting the mix of products

which will be consumed over the coming years in Spain, which also allows for an adjustment to the volume of reserves maintained by the Corporation, as well as the payment of fees by the obligated entities. Furthermore, the use of this model enables the Corporation to anticipate short and medium-term storage needs, leading to better financial planning processes and annual budgeting.

Energy consumption evolution scenarios

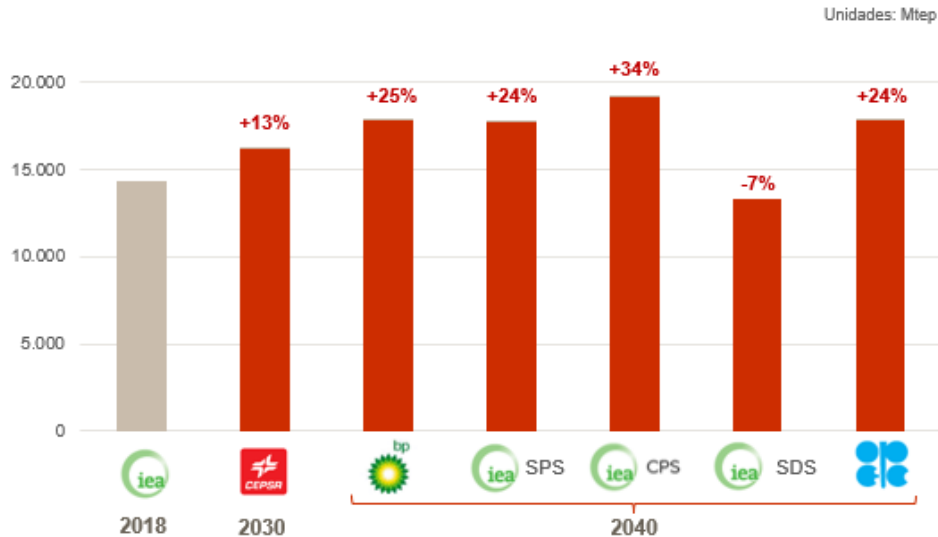
The COVID-19 crisis has substantially altered all the pre-existing evolution scenarios for energy demand. According to the IEA, it represents the greatest shock to the world energy system in more than seven decades, with a fall in demand of 6% in 2020, which will be higher still in the advanced economies, with reductions of 9% in the USA and 11% in the EU. In the case of oil, the IEA estimate issued in May 2020 showed a drop of 8.6 million barrels per day (MMbd), approximately 9% of global demand. Other bodies have predicted similar reduction levels, notably the Energy Information Administration of the U.S. Department of Energy which has identified a reduction of 8.1 MMbd. Some degree of recovery is expected in 2021, around +7 MMbd, which would still fail to reach the 2019 levels. In all events, there is a marked uncertainty over future demand.

The majority of projected medium and long-term scenarios before the pandemic were generally consistent, indicating a sustained increase in global energy demand over the coming decades, even where there were discrepancies over the rate of growth, with a range varying between 13% and 34%. Only one of the scenarios presented by the IEA,



the “Sustainable Development Scenario” (SDS), showed a decrease in worldwide demand of 7%.

2018 Consumption of primary energy and forecasts 2030-2040



SPS: Stated Policies Scenario; CPS: Current Policies Scenario; SDS: Sustainable Development Scenario

Fuente: World Energy Outlook 2019. Bp Energy Outlook 2019. World Oil Outlook 2019 (OPEP). Cepsa Energy Outlook 2030.

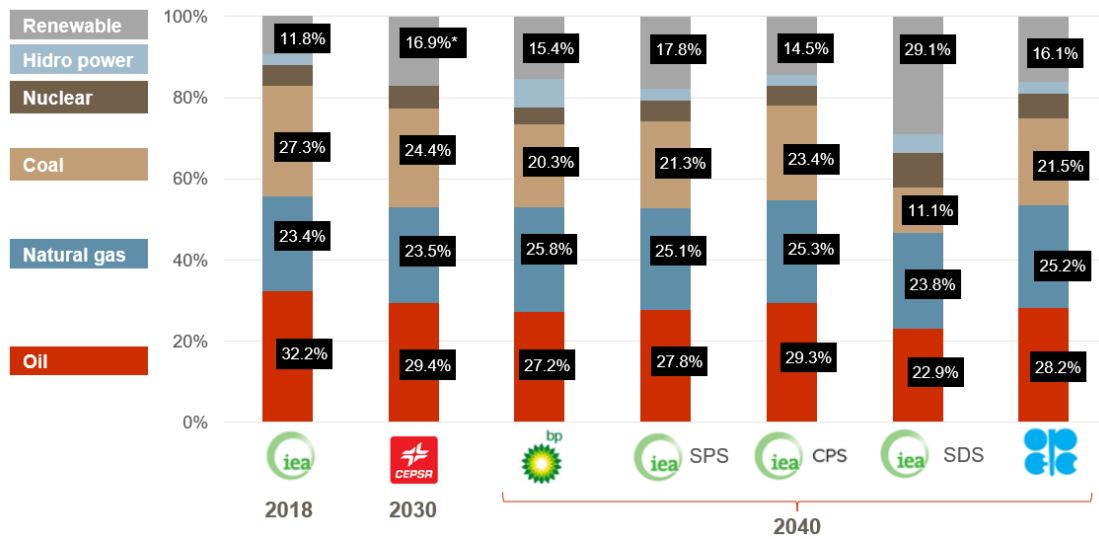
In accordance with the various estimates produced by the IEA in November 2019, fossil fuels would still hold a dominant position (around 75% of the total mix) in the majority of scenarios. In comparison, the SDS scenario suggests a fall in the share of fossil sources in the supply of energy demand to 57.8% in 2040.

Among fossil fuels, oil would continue to play a leading role. The IEA in its “Stated Policies Scenario” (SPS) predicts a sustained increase in the world demand for oil to reach 111.1 million barrels daily (MMbd) in 2040, compared with 98.8 MMbd in 2018. This rising demand would be concentrated in emerging countries, with China and India responsible for more than half of the increase in 2040. In contrast, according to the sustainable development scenario (SDS), demand would fall to 74.6 MMbd by 2040.

In regard to its contribution to world consumption of primary energy, oil would represent between 22.9% and 29.4% of the total, which represents a certain reduction, given that in 2018 it reached 32.2%. In the case of natural gas, all of the scenarios showed an increased contribution to world energy demand of between 23.4% to around 25%.



Contribution by fuel to world consumption of primary energy



SPS: Stated Policies Scenario; CPS: Current Policies Scenario; SDS: Sustainable Development Scenario

*Includes renewable hydro power

Source: World Energy Outlook 2019. Bp Energy Outlook 2019. World Oil Outlook 2019 (OPEC). Cepsa Energy Outlook 2030

Principal uncertainties affecting energy demand

The principal uncertainty in terms of energy demand will be the progress of the coronavirus pandemic and how different countries respond. The unique nature of the situation makes it extremely difficult to predict the future of the energy sector in general and oil and natural gas in particular.

In addition, there are many other unanswered questions which might influence the advance of demand to a significant degree. Some worth highlighting include the various mobility models which could affect consumption patterns, new regulations, changes to the mix of energy consumption, new technologies, digitalisation and alterations to the competitive dynamics of the industry.

CORES has a high level of flexibility and ability to adapt

CORES constantly evaluates all these uncertainties and changes to the supply, demand and markets for liquid and gas hydrocarbons in order to define the measures which would best enable it to adapt and continue contributing to ensuring the security of supply in Spain.



National and international policies which impact on the energy sector

Regulation is without doubt one of the main factors influencing the future of energy demand.

At a European level, the transition towards an economy with a lower reliance on carbon-based fuels is one of the main challenges for energy

Main objectives within the European Framework for Energy and Climate change



Key objectives for 2030:

- At least **40% reduction in greenhouse gas emissions** (compared with 1990)
- At least **32% share of renewable energy**
- At least **32.5% improvement in energy efficiency**

The EU assumes the responsibility of substantially reducing greenhouse gas emissions by between 80%-95% by 2050 (compared with 1990 levels)

policy, as defined in the European Climate and Energy Framework agreed by the European Commission in October 2014, which further revised and expanded its objectives in 2018. This framework proposes initiatives aimed at promoting renewable energy, improvements to energy efficiency and a reduction in the emission of greenhouse gases in order to comply with the Paris Agreement, which seeks to limit global warming to a maximum of 2°C.

To achieve the defined objectives, the member states are required to present the European Commission with a draft for an **Integrated National Plan for Climate and Energy 2021-2030**. The plan submitted by Spain established the goal of advancing the decarbonisation of the economy to reach carbon neutrality by 2050. In addition, at the end of 2018 the then Ministry for the Ecological Transition and the Demographic Challenge published a blueprint for the **Law on Climate Change and Energy Transition**, the processing of which was renewed in May 2020 with the presentation, by the Government to the Courts, of the initial draft for the final legislation of the said Law.

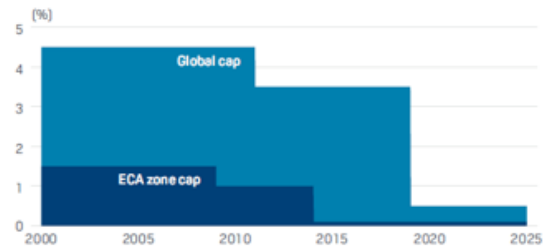
Among the international policies which will impact on the demand for fossil fuels, one that stands out is the new regulation introduced by the International Maritime Organisation, which restricts the **sulphur content of maritime fuels** to 0.5% from 2020 onwards, with a limit of 0.1% in certain specified areas (ECA Emission Control Areas). This regulation will substantially alter the consumption of fuel oil and boost other maritime fuels types.



New International Maritime Organisation regulation on fuels for the maritime industry.



ECA Zones, existing and potential
Source: International Maritime Organization (IMO)



Maximum fuel sulphur content:
International Maritime Organization (IMO)

At a national level, CORES constantly monitors **local anti-pollution policies and rules on restricting the traffic** of certain vehicles. The measures already implemented or planned for the coming years in cities such as Madrid, Barcelona, Zaragoza and Murcia are not consistent, which makes it necessary to closely follow these trends.

3.2. Behaviour of the hydrocarbons market in Spain

As explained previously, CORES is the Central Stockholding Entity entrusted with ensuring the security of supply in Spain. In addition, one of CORES' functions is to provide essential data on the hydrocarbons sector, specifically producing statistical reports based on the market information which all the entities involved are required to provide on a strict periodic basis.

Consumption of energy

Primary energy consumption in Spain is largely of fossil origin, with oil and natural gas representing around two thirds. Specifically, in 2019, oil accounted for 44.6% and natural gas 24.5% of the total. In terms of final energy, in Spain 54.0% of consumption corresponded to petroleum products, slightly higher than 2018 (+0.4%). In second place (22.2% of the total), is electricity, the consumption of which has dropped 1.4% since the previous year, following a period of stability over earlier years. Natural gas, the third largest source of energy (15.4% of the total), fell by 5.1% compared with 2018.

Consumption of petroleum products

The demand for petroleum products in Spain over 2019 saw a slight fall (-0.3%) following four years of growth. In terms of the various economic sectors, the most intensive for petroleum products is transport, representing 68% in 2018, followed by the industry sector which accounts for approximately 15%. Within the transport industry in Spain,



there are two major subsectors: road transport and international aviation, which make up around 53% and 9% of the total, respectively. Diesel is the most consumed petroleum product in our country, due to a higher percentage of diesel vehicles, 56% of the total, according to the data from the Directorate General of Traffic corresponding to 2018.

Consumption of road fuels has risen steadily over recent years, reaching 28,832 thousand tons in 2019, although it increased at a slower rate (+0.7%). Once again, gasoline use rose (+5.7%) more than road diesel, which in 2019 saw a slight fall (-0.4%).

Consumption of petroleum products in 2019

Unit: thousands of tonnes

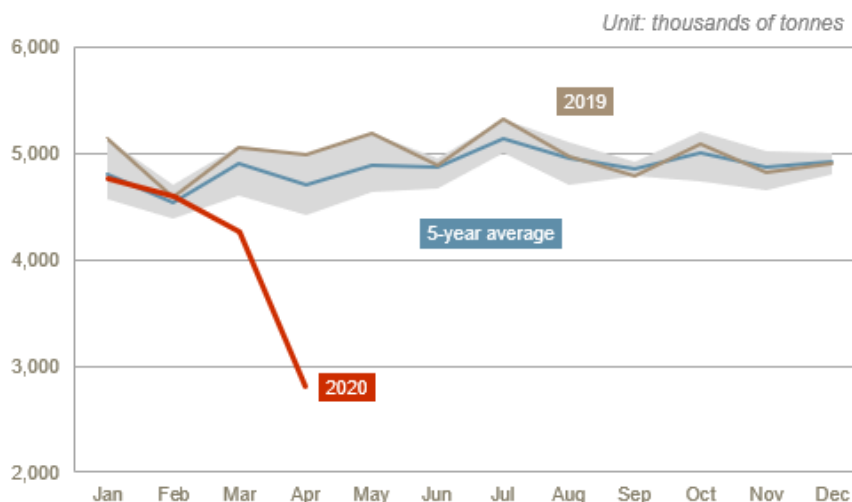
	2019	Estructura (%)	Tv (%) 2019/2018
Gasoline	5,380	9.0	5.7
<i>Subtotal road gasoline</i>	<i>5,376</i>	<i>9.0</i>	<i>5.7</i>
Diesel	31,554	52.8	0.1
<i>Subtotal road diesel</i>	<i>23,456</i>	<i>39.2</i>	<i>-0.4</i>
<i>Subtotal road fuels</i>	<i>28,832</i>	<i>48.2</i>	<i>0.7</i>
Liquid petroleum gases (LPG's)	2,430	4.1	-7.3
Kerosene	6,921	11.6	3.5
Fuel oil	8,221	13.8	-3.8
Other products	5,259	8.8	-3.8
Total	59,765	100.0	-0.3

Source: Cores

The COVID-19 health crisis and the declaration of the state of alarm on the 14th March have produced a significant drop in the consumption of petroleum products and natural gas. The figures for April stand out, where the fall in consumption of road fuels intensified (-59.1% compared with April 2019 and -44.4% compared with March 2020), standing at 984 kt, the lowest consumption level since data became available (January 1996). In terms of the various product groups, kerosene saw the biggest drop (-92.9%), followed by gasoline (-77.8%) and diesel (-36.2%).



Evolution of the monthly consumption of petroleum products



Source: CORES

Consumption of natural gas

In regard to natural gas, total consumption in 2019 stood at 398,072 GWh, with a growth of 14.6% compared with the previous year, the largest increase since 2008.

Conventional consumption, destined for domestic/commercial purposes, industry and cogeneration, represented 69.3% of the total, falling below 70% since 2011, largely due to the rise in consumption for electrical generation, which in 2019 increased by 81.2% compared with 2018. Consumption for electrical generation is subject to multiple variables, such as economic activity and temperatures, and is in direct relation to the total demand for electricity and the power generation mix, with renewable sources having priority over thermal sources or combined cycles.

Consumption of natural gas 2019

	GWh	Structure (%)	IAV (%) 2019-2018
Conventional consumption	275,790	69.3	0.0
Electrical generation	111,323	28.0	81.2
LNG for direct consumption	10,959	2.8	8.1
TOTAL	398,072	100.0	14.6

IAV: Interannual variation rate

Source: CORES

As mentioned above, the COVID-19 health crisis and the declaration of the state of alarm on the 14th March have had consequences for natural gas consumption, although to a lesser degree than petroleum products. The month of April saw a significant decrease (-



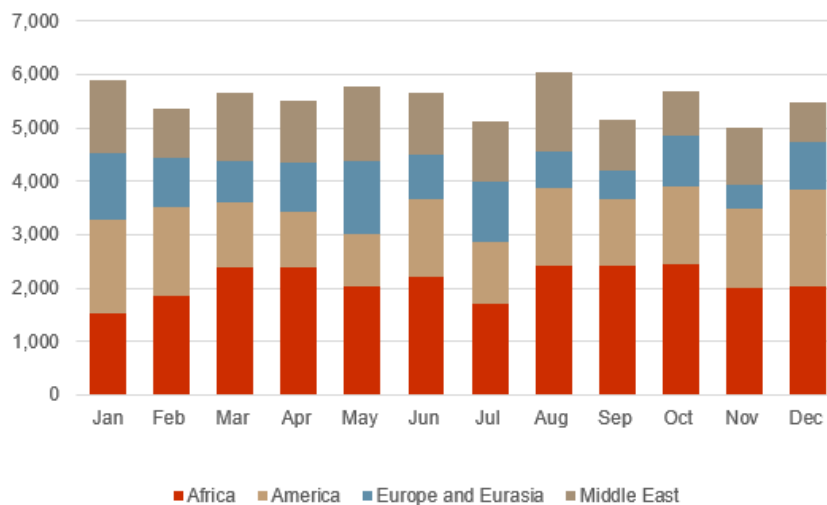
22.3% compared with April 2019), standing at 23,777 GWh, with a fall in all types of consumption: electrical power generation (-32.6%) seeing the greatest drop, in spite of being 32.4% higher than April 2018, followed by conventional use (-20.0%), the lowest for April since 2014, and LNG for direct consumption (-12.7%).

Imports of crude oil

Spain has very scarce oil and gas resources of its own, making up just 0.5% of consumption, and relies almost completely on imports. The majority of Spanish imports of crude oil originate from OPEC (the Organisation of the Petroleum Exporting Countries) nations. In 2019 these accounted for 60.8% of a total of 66,303 thousand tons, down by 1.9% compared with 2018 figures, the record high. By country, the main suppliers have traditionally been Nigeria and Mexico, representing 16.9% and 14.2% respectively in 2019. By geographic region, imports of crude oil from the Middle East have diminished by 20.8% compared with 2018, and in the case of America they have fallen 4.5%, increasing in other regions.

Imports of crude oil by geographic region in 2019

Unit: thousands of tonnes



Source: CORES

Foreign trade in petroleum products

The foreign trade of petroleum products in Spain has shown a net export balance over the last eight years. In the past Spain has exported gasoline and imported diesel. However since, 2013 it is also a net exporter of diesel. In 2019, the net export balance of petroleum products stood at 3,281 thousand tons, due mainly to diesel exports, which



made up 35.7% of the total, as well as other products and gasoline (29.1% and 20.9% respectively).

Evolution of foreign trade in petroleum products

Foreign trade in petroleum products						Unit: thousands of tonnes	
	2015	2016	2017	2018	2019	Structure (%)	Vr (%) 2019/2018
IMPORTS							
LPG's	780	1,443	1,296	1,366	1,253	6.4	-8.3
Gasoline	136	172	437	457	1,326	6.8	190.2
Kerosene	2,212	2,186	2,240	1,799	1,616	8.3	-10.2
Diesel	5,208	5,624	6,049	6,544	6,678	34.3	2.0
Fuel oil	4,484	6,144	7,020	7,371	6,370	32.7	-13.6
Other products	3,872	3,571	3,903	2,980	2,225	11.4	-25.3
Total Imports	16,692	19,140	20,945	20,517	19,468	100.0	-5.1
EXPORTS							
LPG's	395	462	563	474	553	2.4	16.7
Gasoline	4,907	4,505	4,640	4,521	4,765	20.9	5.4
Kerosene	516	619	578	528	402	1.8	-23.9
Diesel	6,314	6,617	8,131	8,306	8,120	35.7	-2.2
Fuel oil	2,298	3,023	3,642	3,761	2,284	10.0	-39.3
Other products	7,215	7,780	7,731	7,696	6,625	29.1	-13.9
Total Exports	21,645	23,006	25,285	25,286	22,749	100.0	-10.0
Exports - Imports Balance							
LPG's	-385	-981	-733	-892	-700	N.A.	-21.5
Gasoline	4,771	4,333	4,203	4,064	3,439	N.A.	-15.4
Kerosene	-1,696	-1,567	-1,662	-1,271	-1,214	N.A.	-4.5
Diesel	1,106	993	2,082	1,762	1,442	N.A.	-18.2
Fuel oil	-2,186	-3,121	-3,378	-3,610	-4,086	N.A.	13.2
Other products	3,343	4,209	3,828	4,716	4,400	N.A.	-6.7
Total Balance	4,953	3,866	4,340	4,769	3,281	N.A.	-31.2

N.A.: Not Applicable

Source: CORES

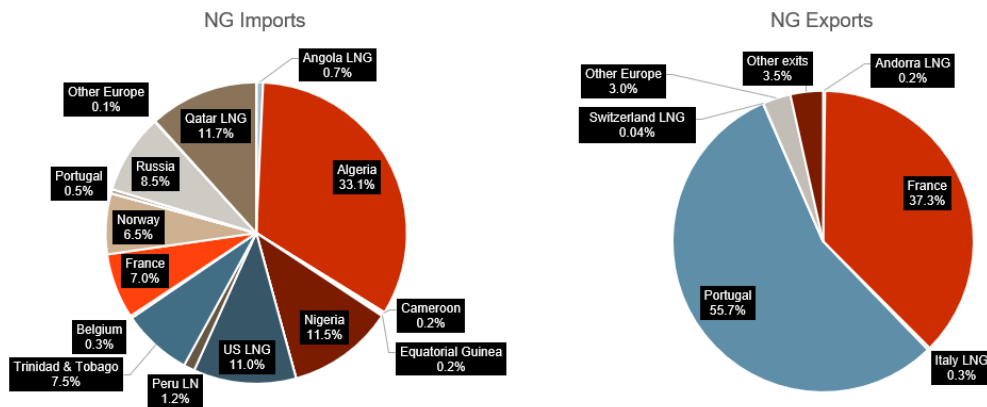
Foreign trade in natural gas

In terms of foreign trade in natural gas, Spain is also a net importer as it has scarce production resources of its own. As such, our country has an extensive imports infrastructure, with six international connection points via gas pipelines with Algeria, Morocco, Portugal and France, and seven regasification plants for imports of LNG. In 2019 imports of natural gas in Spain reached 418,307 GWh (+6.9% compared to 2018), with 57.6% in liquid form, and the remaining 42.4% via pipeline. The main supplier to Spain continues to be Algeria, accounting for 33.1% in 2019, despite a fall compared with 2018 (-31.1%).

Meanwhile, exports of natural gas saw the biggest decline since 2010 (-64.2%), standing at 13,073 GWh. Exports of LNG (1,322 GWh) diminished to a larger degree (-76.1%) compared with 2018, at their lowest since 2010.



Imports and exports of natural gas 2019



Source: CORES

3.3. CORES' strategy for adapting to its environment

In April 2016, in accordance with the Second Final Provision of Royal Decree 984/2015, the CORES Board of Directors approved its Strategic Plan I for the next five years. This Plan is an essential tool in defining the future development of the Corporation, establishing medium and long-term strategic objectives, systemising their review and updating, and all with the overall aim of improving performance of its appointed functions.

The 2016-2020 Strategic Plan was structured in three main directions: Optimisation & improvement of security of supply, Optimisation and efficiency in costs & operative activity and Focus on providing service to the stakeholders.

The Security of supply area included action deriving from the flexible nature of supply in the maintenance of reserves, given that CORES can on occasion provide additional cover for the obligated entities, especially those with a smaller market share, as defined under current legislation. This area also redefines inspection activity, which is adjusted to the current market, preparation for possible future management of natural gas reserves and design of the procedures for releasing stocks to be employed in the event of crisis situations.

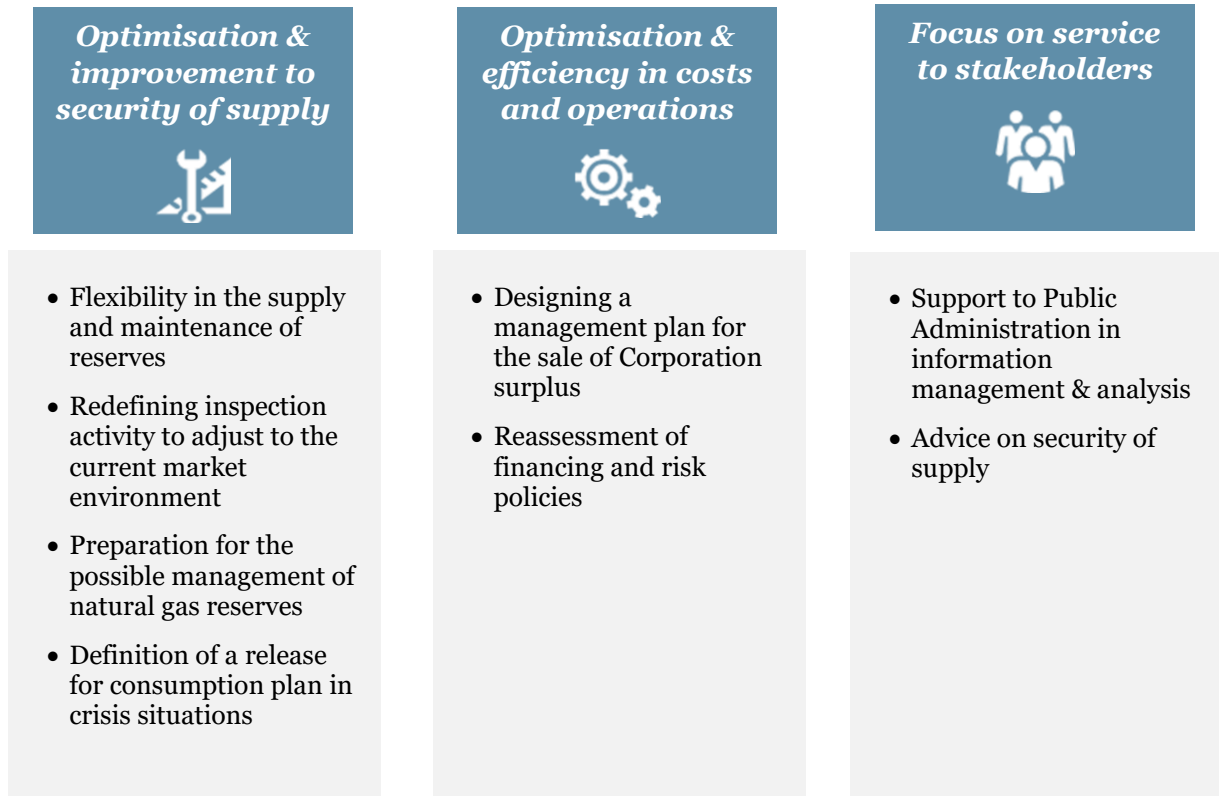
The section devoted to cost efficiency and operative improvements included the design of a management plan for the sale of Corporation surpluses, as well as a reassessment of financing and risk policies.

In regard to focus on service, the principal activity was identified as support for Public Administration in the analysis and management of information, as well as advice on



security of supply and statistics issues, with statistical support and reporting initiatives, evaluation of the national market in the service of Public Administration, along with other aspects relevant to CORES' activity.

Areas of action defined under the CORES Strategic Plan I for 2016-2020



Source: CORES

At the same time, the Strategic Plan I established various courses of action, some of which were designed to coincide with the strategic themes indicated above; for example the redefinition of the CORES service model in regards to information, taking into account the needs of each stakeholder group and the sphere of activity of the Corporation; the reinforcement of systems and the strengthening of IT security; the development of analysis capabilities and tools for assisting and supporting management, members and Public Administration, optimising the use of the available information; and the promotion of cultural and operative changes together with the necessary organisational adjustments to provide CORES with the structures and processes to enable adequate decision making and control over the execution of the same.

The Board of Directors holds the responsibility for overseeing compliance with the Strategic Plan, as well as the review of the action plan, establishing new annual objectives accordingly.



In 2017 the Board of Directors decided to combine strategy related to the flexible maintenance of reserves and the design of a surplus sales plan into a single surplus management policy, given that the Sales Plan itself was now largely completed. In addition, a new strategic line was established to efficiently control CORES' logistical needs, given that the availability of storage is one of the principal risks identified by the Corporation.

In 2018 the Board of Directors decided to maintain the strategic lines, reinforcing and expanding the focus on inspection and the development of analysis tools and capabilities. The 2019 review identified and confirmed considerable advances in all the policy guidelines and courses of action included under the CORES Strategic Plan I.



4. RESPONSIBLE MANAGEMENT

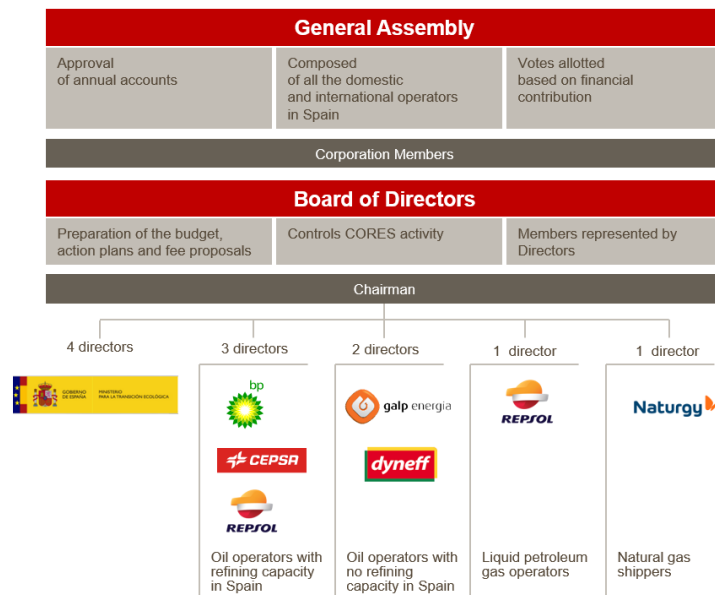
Over recent years, CORES has taken giant steps forward, in a voluntary manner, in areas of corporate governance, even though its particular legal status as a Public Law Corporation and the strict regulations in terms of the election of its governing bodies, make it especially complicated to translate to the Corporation some of the corporate governance rules applicable to capital companies. Within the framework of its commitment to good corporate governance, CORES promotes best practices in this area.

4.1. Good governance

CORES' governing bodies

Given the legal status of CORES as a Public Law Corporation, its governing bodies are the General Assembly and the Board of Directors, with a structure, number of members and functions all of which are defined in the regulations which govern the Corporation, namely Law 34/1998 on the Hydrocarbons sector and Royal Decree 1716/2004.

CORES' governing bodies



Source: CORES

The **General Assembly** is made up of all CORES members, that is to say all the wholesale operators of petroleum products and liquid petroleum gas (LPG) and natural gas shippers operating in Spain, representing around 280 companies.



The principal functions of the Assembly, as defined in article 52 of Law 34/1998 and under the CORES Statutes, included as an annex to Royal Decree 1716/2004, consist of the approval of the annual accounts and the proposal of fees to the Ministry for the Ecological Transition and the Demographic Challenge (MITECO). The Assembly generally meets twice a year.

In 2019 the CORES General Assembly addressed the evolution of Corporation activities during the previous year, examined and approved the Annual Accounts and Management Report corresponding to the 2018 financial year, appointed accounts auditors, named successors to the vacant positions on the Board of Directors and reappointed representatives from the petroleum product operators with refining capacity, liquid petroleum gas operators and natural gas shippers. The Assembly was also presented with the Corporation Budget for 2020 and the updated Strategic Plan.

Article 9 of the CORES Statutes stipulates that the agreements adopted in the Assembly require a three-quarter majority of the votes present, with MITECO able to veto such decisions if they infringe the provisions of current legislation. Members' votes are allocated in proportion to their financial contribution to CORES.

For its part, the **Board of Directors**, in accordance with article 11 of the Statutes, is made up of eleven members in addition to the Chair, all of whom have a mandate for five years, after which they may be re-elected for a subsequent five-year period. Given the Corporation's sphere of activity, the board members represent both Public Administration and the oil and gas sector, with a majority selected from the industry.

The appointment of the Chair and four of the board members corresponds to MITECO. The remaining seven directors are chosen by the General Assembly in the following manner:

- The operators authorised for wholesale distribution of petroleum products with their own refining capacity in national territory will elect three directors.
- The wholesale petroleum product distributors without their own refining capacity will elect two directors.
- The operators authorised for wholesale distribution of liquid petroleum gas will elect one director.
- Natural gas shippers will elect one director



In addition to the Chair, the Board of Directors has a Vice-chairman elected by a majority of the board members. The Vice-chair exercises the functions intrinsic to a replacement of the Chair.

The functions entrusted to the Board of Directors consist principally of control of CORES' activities, together with the definition of general policy and the preparation of budgets and action plans.

There were a number of recent changes to the make-up of the Board of Directors after the close of the financial year. Order TED/44/2020, of 21st January, saw the cessation of Mr. Pedro Miras Salamanca and the appointment of Mrs. Juana María Lázaro Ruiz as Chairwoman of CORES. Order TED/67/2020, of 23rd January, announced the cessation of Mr. Sergio López Pérez and the appointment of Mr. Juan Bautista Sánchez-Peñuela Lejarraga as member of the CORES Board of Directors de CORES. Order TED/398/2020, of 29th April, saw the cessation of Mr. José Alejandro Pina Barrio and the appointment of Mr. Juan Jacobo Llerena Iglesias, and likewise, on the 23rd January 2020 Mrs. Olvido Moraleda Linares was replaced by Mr. Wolfgang Stüeckle.

As a result, as of May 2020 the members of the CORES Board of Directors are as follows:

- Chairwoman: Mrs. Juana María Lázaro Ruiz
- Mrs. Carmen Martínez de Azagra Garde
- Mr. Juan Bautista Sánchez-Peñuela Lejarraga
- Mr. Carlos Montoya Rasero
- Mr. Juan Jacobo Llerena Iglesias
- REPSOL PETRÓLEO, S.A., represented by Mr. Juan Antonio Carrillo de Albornoz Tejedor
- COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A., represented by Mr. Carlos Navarro Navarro
- BP OIL SPAIN, S.A., represented by Mr. Wolfgang Stüeckle
- GAS NATURAL COMERCIALIZADORA, S.A., represented by Mr. José Luis Gil Sánchez



- REPSOL BUTANO, S.A., represented by Mrs. María del Carmen Muñoz Pérez
- GALP ENERGÍA ESPAÑA, S.A., represented by Mr. João Diogo Marques Da Silva
- DYNEFF ESPAÑA, S.L. represented by Mrs. Anna Bes i Ginesta

Among other matters, in 2019 the Board of Directors addressed issues related to security of supply, such as the organisation and participation in Emergency Exercises, the manual for releasing stocks for consumption in the event of a crisis and other specific studies on security of supply topics. It also analysed the evolution of Corporation activity, including the programming of strategic stocks operations (storage tenders, product swaps, replacement of losses), information and management of reserves surplus, monitoring of the Strategic Plan, etc. In addition, matters relating to CORES financing were discussed, such as periodic reviews of financial statements, information on interest rates, borrowing and back-up credit lines and the preparation of the budget, among other issues. Lastly, the function of CORES was analysed in terms of the production of statistical reports on the hydrocarbons sector and support and advice to Public Administration on statistical questions, with a summary of Corporation participation in sector working groups and monitoring of statistical activity and digital presence.

The Board of Directors adopts its agreements by majority vote, although the Minister for the Ecological Transition and the Demographic Challenge, through the Chairwoman, may also exercise her right to veto on any decision which goes against public interest.

Meetings held by the CORES Board of Directors

	2015	2016	2017	2018	2019
Number	12	14	15	14	13

Source: CORES

In addition, CORES has an Oil Committee and a Gas Committee which meet to discuss the issues over which the Board of Directors has authority in these two specific sectors. Both are governed by the same rules that apply to the Board. During 2019 neither of the committees met, as they had exercised their duties within the Board of Directors sessions.

Board of Directors Committees

At the Board of Directors meeting held on July 23rd 2015 CORES, under its status as an issuer of securities admitted for trading on regulated markets, established an Audit



Committee and an Appointments & Salaries Committee, in accordance with Law 31/2014, of the 3rd December, by which Corporations Law (LSC) was amended for the improvement of corporate governance. The workings of both committees are governed by specific regulations.

The Audit Committee is made up of four representatives of the Board of Directors, with proven experience in accounts and auditing issues and a complete understanding of the energy sector. It is essentially in charge of reviewing the Corporation's annual accounts, overseeing the efficiency of internal controls, ensuring the independence of accounts auditors and supervising the effective operation of the risk management system. During 2019, this committee met twice, with the principal matters discussed being the review of annual accounts, the revision of the CORES risk system, the contracting of an auditor and an evaluation of control systems.

The Appointments & Salaries Committee is made up of three members of the CORES Board of Directors not holding executive or management positions within the Corporation. Among other functions, it is entrusted with the assessment of the necessary skills and experience of the members of the Board of Directors, a salary policy proposal, and the establishment of criteria for balanced representation by gender and the means to achieve this goal. It is also in charge of proposing objectives for the Corporation and evaluating their fulfilment.

This committee met once in 2019 to assess the achievement of Corporation objectives over the course of 2018 and to present the Board of Directors with its proposals for the formal establishment of the objectives for 2019.

The special legal status of CORES as a Public Law Corporation and the strict regulations in terms of the election of its bodies, make it especially complicated to translate to the Corporation some of the corporate governance rules applicable to capital companies, such as, for example, promoting gender diversity within the Board of Directors directly, given that the election of representatives depends on its members and MITECO.

In spite of this, and within the framework of its commitment to equal opportunities, in 2018 CORES approved the **Board of Directors' Diversity Policy**, promoting diversity in terms of experience, origin, gender, age and educational background on the CORES governing bodies. As a result, those with the authority and capacity to appoint the members of the CORES Board of Directors are also those who must commit themselves to and execute the principle of diversity in the selection of the Board. The document



“Profile of the members of the Board of Directors of CORES, commitment to and analysis of the composition of the same on the basis of diversity criteria”, establishes Corporation policy to “encourage such diversity of experience, origin, gender, age and educational background in its governing bodies”.

Diversity on the CORES Board of Directors

	2015	2016	2017	2018	2019*
Number of women on the Board of Directors	2	4	3	2	4
% of women on the Board of Directors	16%	33%	25%	17%	33%

Figures as of 31st December each year

**This number is maintained as of the current date. On 21st January 2020, with effect from the 24th January, Mrs. Juana María Lázaro Ruiz was appointed Chairwoman of the Corporation for the Strategic Stocks of Petroleum Products. Likewise, on 23rd January 2020 Mrs. Olvido Moraleda Linares was replaced by D. Wolfgang Stüeckle.*

Other practices adopted in terms of good governance

Within the framework of its commitment to good corporate governance, and in addition to the policies described above, CORES also promotes other practices in this same area, such as the implementation of the recommendations listed in the Good Governance Code of Listed Companies, the assessment of the dynamics and workings of the Board of Directors, the establishment of objectives aligned with the Strategic Plan and the encouragement of the diversification of external suppliers.

Corporate governance practices adopted by CORES



Adaptation of the recommendations of the Good Governance Code of Listed Companies to CORES' situation and implementation of the same within the Corporation



Information and advance preparation for Board of Directors meetings.



Design & implementation of a Strategic Plan with annual assessments



Establishment of Management objectives by the Board of Directors aligned with the Strategic Plan.



Promotion of diversification of external suppliers.

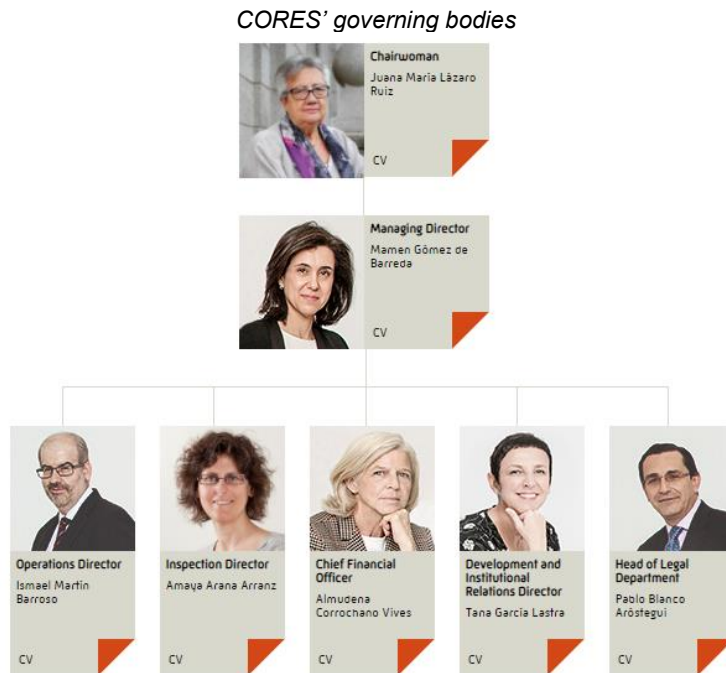
Source: CORES

Structure and internal organisation of CORES

In addition to its governing bodies, CORES has an internal structure scaled to fulfil its mission and objectives. This revolves around a General Directorate, with four management departments corresponding to the principal spheres of Corporation activity,



as well as a legal department. The heads of each department make up the Management Committee.



Both the Management Committee and all CORES' personnel have a wide experience in the areas in which they perform their functions, as will be explained below.

In addition, this structure is supported by contracted external services, which allows CORES to maximize its efficiency and effectiveness in all the activities it conducts.

Diversity on the Management Committee

	2015	2016	2017	2018	2019*
Number of women on the Management Committee	3	3	4	4	4
% of women on the Management Committee	50%	50%	57%	57%	57%

**On 21st January 2020, with effect from the 24th January, Mrs. Juana María Lázaro Ruiz was appointed Chairwoman of the Corporation for the Strategic Stocks of Petroleum Products, as a result of which as of today's date the number of women on the Management Committee is 5, which represents 71%.*

Source: CORES

4.2 Ethical and objective behaviour

Ethical management of the company

CORES ensures compliance with applicable legislation and the strictest ethical standards. To underline this commitment, the Corporation has had a **Code of Ethics**

Ethical and objective behaviour in all its activities



and Conduct in place since 2017, designed to establish general guidelines which govern CORES' behaviour and that of all its employees and the members of its governing bodies. Among other issues, this code defines CORES' commitments in terms of bribery and corruption, human rights, equal opportunities, legal compliance and continual adaptation to applicable legislation, restricted and confidential information, conflict of interests, money laundering and respect for the environment. In addition, the code sets the standards for the Corporation to follow in its relations with government and the authorities, obligated entities, suppliers and contractors, seeking to promote transparent and responsible relations with all of the above.

CORES also has a number of internal rules such as the **Code of ethics for members of the Board of Directors**, and the Internal Code of Conduct for the securities market. The CORES Code of ethics for members of the Board of Directors defines the essential principles which inspire the ethical behaviour and decision making of the members of the Board, with which they agree to comply through membership of the said body. **The Internal Code of Conduct for the securities markets**, is an internal regulation which applies to CORES representatives, the individual members of the Board of Directors and all CORES staff and management, in matters related to the stock market.

Specifically, this internal regulation established the following:

- The principles and values of the organisation,
- The behavioural guidelines to follow in conflict of interest situations,
- The general principles to be applied in relations with the obligated entities and contractors,
- The importance at all times of behaviour that respects the Law and accepted ethical standards towards all Corporation employees and members of its governing bodies.
- The appropriate use and duty of protection in regards to privileged and confidential information,
- CORES' commitment to promote equality of treatment and non-discrimination, the health and safety of its employees and third parties and respect for the environment.



With the aim of transmitting these principles throughout the organisation, CORES promotes the education of all its employees in ethical best practices.

Anti-corruption

Under its Code of Ethics CORES is fully committed to refrain from influencing the will of persons outside the Corporation to obtain benefits via criminal or unethical practices. In addition, in line with the Code of Ethics, all CORES employees are prohibited from accepting or offering gifts, preferential treatment or any other benefits which might affect the ability of the donor or recipient to make an independent and unbiased decision in any business transactions.

Within the framework of its system to prevent irregularities, CORES also closely monitors all cases of corruption and breaches of its policy, as well as the corrective action undertaken in each event. During 2019, as in previous years, no incidents of this type of practice were recorded within the organisation.

CORES extends its anti-corruption efforts and the fight against bribery and fraud throughout its chain of supply operations. In line with this philosophy, it promotes diversification among different suppliers as part of ongoing good practice.

As a commitment to continual improvement in the ethical management of the company, CORES is currently working towards the introduction of an **ethics channel** to receive and process anonymous notifications of irregularity and breaches of the Corporation's regulations and code of ethics, ensuring subsequent investigation and resolution of all such cases.

Neutrality in operations

CORES' legal status and framework of activity, as defined under Law 34/1998 on the hydrocarbons sector, Royal Decree 1716/2004 and its implementing provisions, define the **neutrality in its operation**, given that all the entities concerned have the same obligation to maintain minimum security stocks, provide information and pay fees. This is reflected in the Corporation's daily activity, ensuring equal treatment of all entities, especially in regard to the control and inspection of their obligations.

In fact, Chapter IV of Royal Decree 1716/2004 stipulates that the authority for inspection and control falls directly on the Chair of CORES, who is responsible for personally notifying the competent authorities of the actions conducted, in order that individual



members of the Board of Directors should not have knowledge of sensitive data on specific inspections, thus avoiding **access to privileged information** which might compromise the neutrality of operations. In this way, members receive an assurance that inspection activities will be conducted using strict criteria, ensuring equal treatment for all, regardless of their size or other characteristics.

In addition, the Corporation promotes transparency and free competition in the activities which require the involvement of other sector companies or external suppliers. For this purpose, CORES publishes **tender notices** on its website for all purchases, sale and storage of crude oil and petroleum products, ensuring that the offers received are processed and evaluated by the Adjudications Committee, the body entrusted with making such decisions, made up of an executive committee which includes the Chair and a representative from MITECO. In the case of contracts unrelated to strategic stocks, such as legal services and consultancy, CORES requires the presentation of various offers for comparative analysis based on objective criteria.

Ethical management and information security

As a result of the information it receives in the interest of ensuring security of supply in line with the Resolutions of the Directorate General for Energy Policy and Mines dated 29th May 2007 and 15th December 2008, CORES has access to a substantial quantity of data of a sensitive nature which lists all the operations of sector companies. The Corporation must guarantee the correct use of this information at all times, making it vitally important to conduct **ethical management of information** to ensure maximum controls over data collection, processing and use on the part of the organisation, as well as its final publication. Having the best available information allows guaranteed fulfilment of the Spanish security of supply model, as well as reliable reporting and publication of sector statistics, which forms an essential part of CORES' mission.

Information security is another key aspect that requires careful management, given its confidentiality and sensitivity. In this area, the Corporation has a number of strict rules and procedures in place to ensure compliance with this duty. These include the **Improvements Plan** introduced to reinforce computerised systems security. For this purpose, a security audit was conducted (ethical hacking) on the information systems (infrastructure, websites, internal and wireless network and VPN), which identified both the major strongpoints as well as the risks caused by any detected vulnerabilities. In the case of each vulnerability technical recommendations and corrective measures were



presented, which were collected into an action plan executed during the second half of the year, thereby comprehensively improving the security of the information systems.

In addition, CORES has produced its own **information systems security policy and regulations**, designed to establish the technical and organisational measures necessary to ensure IT security, as well as making staff aware of the importance and sensitivity of the Corporation's essential information and critical services. Meetings have been held to explain these procedures to all personnel.

From the perspective of cybersecurity, and taking into account the increasing number of incidents currently occurring worldwide, extra steps were taken in 2019 to reinforce the level of protective cover already designed and in place for several years, in line with the Systems Security Plan. Particularly significant among the procedures conducted were the education sessions provided for the entire CORES organisation on cybersecurity and best practices.

In regards to systems infrastructure, a segmentation of the CORES network was introduced (both physical and logical), creating various network sections separated by a firewall, meaning that access to certain resources is only possible from specific IP addresses, thereby mitigating possible attacks on servers containing CORES' critical services. In addition, speed of communication between switches has been improved, with copper connections replaced by optical fibre.

Within the same framework, a project is underway for the implementation of an enterprise mobility management service (EMM), which will provide CORES with the capacity to manage mobile devices (smartphones, tablets and laptops), allowing an automated display of applications, control over access to corporate data, prevention of information leaks, separating personal and professional profiles and creating security policies and directives.

Over 2019, the Corporation has continued with its adaptation to the personal data protection legislation established under EU Regulation 2016/679 and Spanish Organic Law 3/2018, of the 5th December, on the protection of personal data and the guarantee of digital rights.



4.3 Comprehensive risk management

With the aim of identifying and managing possible threats to its operational and strategic objectives, focused on the security of supply of hydrocarbons, in 2016 CORES voluntarily decided to set up a risk management system in line with the highest industry standards.

CORES incorporates comprehensive risk management into all its activities

This system promotes the identification of significant risks to the Corporation according to their possible impact on the management and performance of the activity. Once such risks are identified and analysed, the system then establishes a structure for control and monitoring so that they may be effectively managed.

As a starting point CORES has established a **Risk Management Policy**, which determines the basic principles and general framework of activity, guiding and directing the whole set of strategic, organisational and operational actions. This policy must be followed by the entire Corporation and divides risks into five categories: (i) strategy and planning risks; (ii) reporting risks; (iii) financial risks; (iv) ethics and compliance risks; (v) operations and infrastructure risks.

The **Risks Map** gathers and classifies the principal risks which the Corporation may face, deriving from a combination of economic, social and environmental circumstances, as well as those related to internal management. Meanwhile, the **Management Manual** and other risk management procedures, such as the **Mitigation Plan**, determine CORES' manner of response to such situations.

For the implementation of this policy a **Risks Committee** was set up, to ensure compliance with the commitments and actions defined for Risk Management issues.

Supervision of the operation of the system and risk indicators is governed by a decentralised risk management model under the direct authority of the Board of Directors, with a working procedure based on three lines of defence: (1) the Board of Directors and the Audit Committee, (2) the Chair and the General Directorate, (3) Heads of Department.

- **The Board of Directors** is the body responsible for defining risk management and control policy within the Corporation, as well as other related internal procedures. At the same time, the Board is supported by the Audit Committee, which supervises the



efficiency of the risk management system and monitors the performance of the organisation in this area, proposing possible improvements to the Board.

- **The Chair** has a supervisory role and acts as the liaison between individual departments and the Audit Committee to report on the work conducted. In addition, the Chair helps to circulate the directives of the Board on risk management issues. The General Directorate, in turn, acts as the liaison between the Chair and the Heads of Department.
- The **Heads of Department** are directly responsible for the management of risk in daily operations, which involves the identification, evaluation, design and implementation of control activities and thresholds of tolerance, as well as the constant monitoring of key performance indicators (KPIs). In addition, these heads of department have a duty to design and periodically revise the risk map, notifying the General Directorate of any possible deficiencies detected.

In 2019 the Risks Committee held four meetings for the purpose of assessing the situation and analysing the information on risk identification, evaluation and monitoring, as well as preparing an annual report on these measures, for presentation to the Audit Committee. Over the course of February and March the committee studied and analysed the risk data sheets making up the management system, in order to present a list of revisions to the Audit Committee which, after discussion, approved the update of the Risks Map at the meeting held on 28th March 2019.

At the subsequent meetings, the KPIs and thresholds, planning for possible new threats and levels of control activities were all revised, along with recommendations for the annual updating which the Audit Committee will propose at the start of 2020.

With this comprehensive risk management policy, CORES **generates trust** among its stakeholders, providing a framework for the adequate processing of the major risks at all levels of the Corporation and defining a common strategy, aligned and unified throughout the organisation.

Exceptional circumstances due to the coronavirus crisis

The consequences for CORES of the health crisis caused by COVID-19 and the declaration of a state of alarm by Royal Decree 463/2020, of the 14th March, have been analysed and evaluated by the members of the Board of Directors and Corporation Management since the start, and they have been constantly monitoring the situation



based on the best available updated information. While there is still considerable uncertainty over the evolution of the situation and its effects, potential short-term risks have been assessed in terms of liquidity, the valuation of assets and liabilities and the continuity of operations, with the conclusion that no modifications to the financial statements are required.

In addition, analysis has been made on the risks deriving from the drop in international benchmark prices for crude oil and petroleum products, concluding that no eventual damage estimates need to be made, for two reasons, firstly because no sales operations of reserve stocks are forecast, and secondly because there is little likelihood of a need to release CORES reserves for market consumption, on the approval of the Council of Ministers, given that to date the declaration of a state of alarm has led to a significant fall in consumption of the said products, with a resulting surplus of supply on the national market.

This reduction in consumption, does however have a correlative effect on the financial stability of the Corporation. For this reason, Order TED/456/2020, dated 27th May, approved special fees between June and September 2020, in addition to those initially approved by Order TEC/1262/2019, dated 26th December.

4.4 Management of sustainability and relations with our stakeholders

Commitment to sustainability and the environment

CORES has assumed a voluntary commitment to the sustainable management of its activities, and the promotion of such practices within the sector. In the context of this commitment, the Corporation has established the objective of integrating sustainability and concern for the environment into its corporate strategy. For this purpose, it constantly analyses the major trends in such issues and the principal consequences they may have for its activity.

As a result, CORES has detected a major increase in the number of policies introduced by the **regulatory bodies** which specifically demand responsible and sustainable management. In addition, a growing appetite was identified within the **financial system** for investments managed using Environmental, Social and Governance criteria (ESG), with extra ratings for companies that perform well in these areas. Lastly, **hydrocarbon sector companies** are increasingly incorporating environmental sustainability policies



together with processes designed to manage the impacts produced in their sphere and corporate reporting of their efforts into their strategies.

Specifically, at the end of 2018, **Law 11/2018 on non-financial information and diversity** came into force, which requires certain companies to publish a Non-Financial Information Statement including sufficient data to evaluate the progress, results, current situation and impact of their activity on the surrounding environment.

CORES, due to its particular nature and constitution is exempt from the application of this Law. However, in the context of its commitment to good management practices, and in anticipation of market trends, the Corporation has produced its first Sustainability Report, which includes content and indicators which respond to the demand for non-financial information on the part of its stakeholders.

Management of stakeholders

Identifying the expectations of its Stakeholders is a key element within the Corporation's commitment to sustainability and environmental issues. CORES works constantly to evaluate their expectations and has installed specific communications channels to facilitate an ongoing dialogue with these parties.

- **Public Administration:** Their principal expectations in relation to CORES are focused on the good performance of the activities entrusted to the Corporation in line with current legislation, specifically its role in providing consultancy to Public Administration departments.
- **CORES members:** The main expectations for this group are based on CORES guaranteeing ethical and neutral behaviour which ensures equal treatment and secure management of information.
- **General public:** The public's expectations generally involve access to accurate and reliable information on the Spanish security of supply system with statistical data on the liquid hydrocarbons and gas sectors, via the public information available on the Corporation's website, its statistical publications and digital profile on the social networks (LinkedIn, Twitter, Facebook).
- **CORES employees:** Their main expectations revolve around the successful pursuit of a professional career with recognition within the sector, as well as the training possibilities offered by the Corporation.



- **Suppliers:** The principal expectations of this stakeholder group center on understanding the service and other requirements which CORES expects from its suppliers.
- **Funders and debt financiers:** As CORES is a debt issuer, the expectations of this group are focused on the CORES' position in financial, credit and extra-financial ratings which ensure the financial solvency of the Corporation. CORES organises periodic roadshows to maintain contact with its financial backers.
- **Credit ratings agencies (financial and extra-financial):** The main expectations for this stakeholder group are based on the analysis of the robustness of CORES' governance, the risk management system and internal control, as well as responsible management based on ESG practices on the part of the Corporation.

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Principal expectations of stakeholders and channels employed for communication

Stakeholder group	Stakeholder sub-group	Stakeholder expectations for relations with CORES	Existing relations and communication channels
Public Administration	MITECO, Ministry of Development, Treasury and Public Functions Ministry, CNMC, Customs, Eurostat/IEA, Others.	<ul style="list-style-type: none"> • Compliance with security of supply legislation • Production of full and accurate information • Support for Spanish representation on international bodies 	<ul style="list-style-type: none"> • Consultancy and advice on recurring themes and specific situations • Statistical reporting
CORES members	Petroleum product operators Natural gas shippers Other obligated entities	<ul style="list-style-type: none"> • Maintenance of ethical and neutral behaviour • Guarantee of equal treatment for all parts of the sector • Ethical management of information and adoption of security systems 	<ul style="list-style-type: none"> • Institutional: Assembly and Board of Directors. • Operations & inspection: technical reports on compliance with the obligations of maintenance of reserves and provision of information (infoCORES) • Statistics: Technical relations (infoCORES)
Employees	Employees	<ul style="list-style-type: none"> • Achieving recognition within the sector through their work • Learning about the sector • Training to advance their careers 	<ul style="list-style-type: none"> • Meetings • Circulars and other information



Stakeholder group	Stakeholder sub-group	Stakeholder expectations for relations with CORES	Existing relations and communication channels
Suppliers	Storage companies Service suppliers Office material suppliers	<ul style="list-style-type: none"> Understanding the service and other requirements expected by CORES from its suppliers. 	<ul style="list-style-type: none"> Tenders published on website Operational technical specifications
General public	Identified users: web subscribers / <i>social network followers</i> Non-identified users	<ul style="list-style-type: none"> Information on the Spanish security of supply system Spain Publication of solid and comprehensive statistical information 	<ul style="list-style-type: none"> Public information (website) Statistical publications Digital profile on social networks (LinkedIn, Twitter, Facebook)
Funders and debt financiers	Funders and debt financiers	<ul style="list-style-type: none"> Financial solvency Good position in financial, credit and extra-financial ratings 	<ul style="list-style-type: none"> Financing Roadshows Website Annual corporate governance reports
Credit rating agencies (financial and extra-financial)	Credit rating agencies (financial and extra-financial)	<ul style="list-style-type: none"> Robustness in governance, risk management and internal control systems Responsible management based on ESG practices 	<ul style="list-style-type: none"> Public information available on the website Annual corporate governance reports



5. CORES PERFORMANCE IN 2019

In the section relating to the contribution of CORES to the security of supply of hydrocarbons in Spain, the current model in Spain has been described in depth above, as well as the nature and functions of the Corporation, in line with current legislation. This next section will look at the principal results and performance of its activities in 2019.

5.1. Financial activity and performance

Challenges for financial performance in 2019

- Partial repayment of €35M and refinancing of debt via novation of its expiration date for 2019 and 2020, modifying the reference rate.
- Renovation of back-up lines.
- Upwards revision of the Standard & Poor's credit rating from A- to A by the agency and maintenance at A- by the Fitch Ratings agency.

Main indicators in financial performance in 2019

Financing structure	63% Loans / 37% Issues of debt.
Financing structure by interest rate	60% Fixed / 40% Variable.
CORES' credit rating ¹	A/A-
Debt ²	1,625,346 thousand euros
Net business figures	183,802 thousand euros
Financial year results	22,946 thousand euros

¹ Ratings issued by Standard & Poor's and Fitch respectively.

² Calculated on the basis of current and non-current liabilities.

Financial management conducted by CORES in 2019

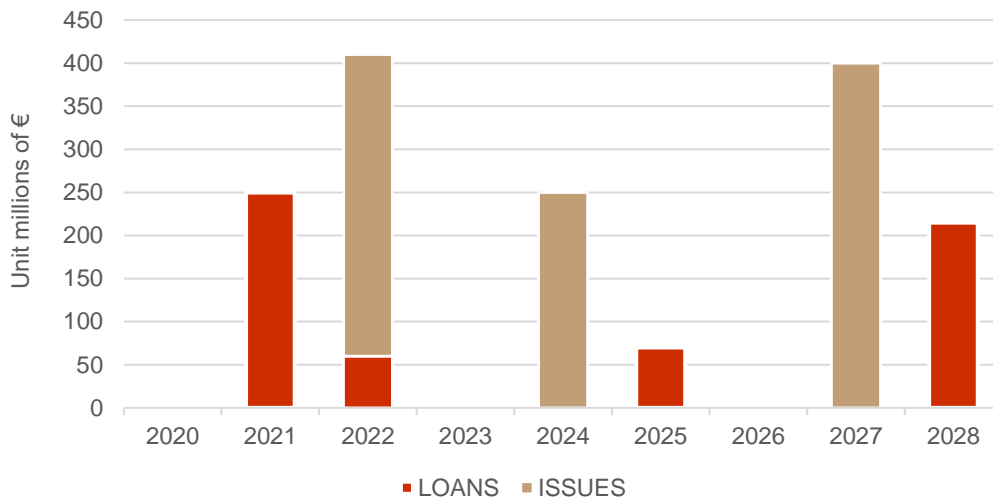
CORES has continued to conduct financial management at various levels with the objective of control and reducing risks. In terms of managing resources destined to the financing of assets, it has continued the same course of action as in recent years, focused on maintaining a curve of debt with a low profile, which reduces annual commitments, and diversifying the sources of finance to ensure that the volume of funds originating from the bond market is similar to the volume of debts with financial institutions.



The optimisation of financing is a priority for CORES management

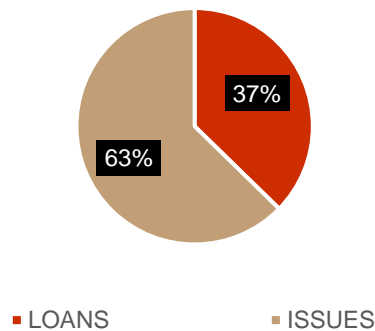
In addition, decisions have been made in regard to the mix of fixed/variable interest rates, on the basis of the current and future situation of the financial markets, reducing CORES' exposure to interest rate risks.

Maturity profile as of 31/12/2019



Source: CORES

Volume of debt and bonds issued 2019



Source: CORES

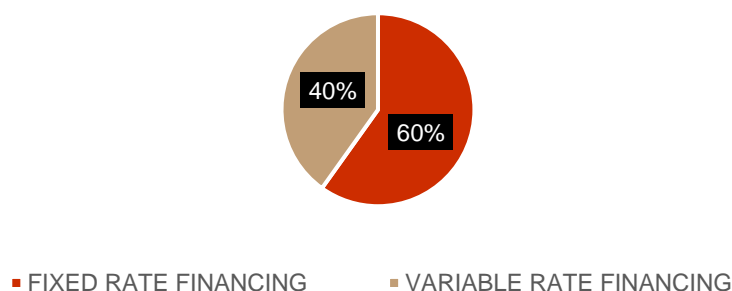
In 2019 the short-term debt the Corporation held with a credit institution at the close of the 2018 financial year was renegotiated (125,000 thousand euros), of which 35,000 thousand euros have been paid and a novation was signed for the remainder (90,000 thousand euros), together with the tranche which matured in 2020, modifying the maturity date to 2028 along with the reference rate, establishing a fixed rate for 79% and variable for 21% of the total.



In addition, over the second quarter of the year the existing back-up lines were renewed with the purpose of adjusting the total sum in regards to the refinancing commitments for the next two years, as well as exploiting the market situation to ensure a new deadline of three years with improved financial terms.

These decisions based on the current and future situation of the financial markets have allowed the Corporation to reduce its exposure to interest rate risks.

Distribution of financing according to rate in 2019



Source: CORES

As of 31st December 2019, there are three outstanding loans issued by CORES admitted for trading on secondary markets.

Outstanding Loans issued by CORES for trading on secondary markets

Issue profile	Issue date	Outstanding balance (millions of €)	Maturity date	Interest rate	Markets
Single obligations	24/11/2017	400	24/11/2027	1.75% annual Act/Act	AIAF/ Luxembourg Stock Exchange
Single obligations	27/11/2015	350	27/11/2022	1.50% annual Act/Act	AIAF/ Luxembourg Stock Exchange
Single obligations	16/10/2014	250	16/10/2024	2.50% annual Act/Act	AIAF/ Luxembourg Stock Exchange

Source: CORES



Evolution of credit rating

The need to continually obtain funds from the markets to finance its assets makes the credit ratings issued by the various ratings agencies particularly significant. As a result, the Corporation works constantly to anticipate the issues which will improve its financial guarantee status from the point of view of agencies and investors.

CORES currently holds accounts with two international ratings agencies, Fitch Ratings and Standard & Poor's. In 2019, the Corporation obtained an improved credit rating from Standard & Poor's, up from A- a A, while remaining on A- with the Fitch Ratings agency.

Improvement of Standard & Poor's credit rating

CORES' financial performance

CORES produced a solid financial performance which allowed it to maintain stable operations, with a net financial result in 2019 of 22,946 thousand euros. As a non-profit organisation, all surplus income from fees may either be returned to the obligated entities, used towards the establishment of future fees or added to the financial reserve, as stipulated in article 13.3 of the Statutes, approved as the annex of Royal Decree 1716/2004.

Both the profit and loss account as well as the CORES balance sheet for the 31st December 2019 and 2018 may be consulted in the corresponding annexes.



Main results from the CORES Profit and Loss Account (thousands of Euros)

Profit and Loss Account	2019	2018
<i>Continuing operations</i>		
- Net sum from the signing of contracts	183,802	161,430
- Variation in finished and ongoing product stocks	-10,202	-3,640
- Personnel costs	-4,968	-4,396
- Other operative costs	-125,714	-127,353
- Fixed asset payments	-2,876	-2,803
- Deterioration and disposal of fixed assets	-1	-
<i>Operating results</i>	40,041	23,238
- Financing income	42	180
- Financing costs	-17,127	-17,054
- Exchange rate differences	-1	-4
<i>Financial result</i>	-17,086	-16,878
<i>Result before tax</i>	22,955	6,360
<i>Tax on profits</i>	-9	-38
<i>Financial year result deriving from Continuing operations</i>	22,946	6,322
<i>Financial year result</i>	22,946	6,322

Source: CORES

Monitoring of revenue and expenditure for the updating of fees

As mentioned previously, Cores' revenue comes from the fees paid by the obligated entities in the maintenance of minimum security stocks, which make monthly or annual payments according to their sales or consumption.

The fee proposal to the Ministry for the Ecological Transition and the Demographic Challenge is produced based on the revenue and expenditure Budget, for ratification by Ministerial Order. The fees for 2019 were published in this way via Order TEC/1428/2018, dated 27th December.

The preparation of the Budget is a forecasting exercise where the main objective is to anticipate the total costs for the coming year. For this purpose, an estimate is made of the evolution of maintenance of reserves, financing and structural costs for the following year. As usual, fluctuations occurred in some of the hypotheses used in the preparation of the next year's budget up until the third quarter of 2019.

Specifically, in regard to Corporation costs, there was a reduction of 3.0%, with the most significant deviation being a drop in financing costs, compared with Budget forecasts, during the period from January to July 2019.



Taking into account the actual costs incurred over the first seven months of the year and the CORES forecasts for the remainder (close of financial year hypothesis), the fees payable by the obligated entities over the fourth quarter of 2019 were revised by Order TEC/975/2019, of 30th September, with a reduction of around 6%, with the exception of those corresponding to liquid petroleum gas and natural gas, which remained unchanged.

This reduction was designed to keep fees in line with the current situation, and to adapt to changes in the behaviour of the markets over shorter time periods than the full financial year.

Exceptional situation as a result of the coronavirus crisis

Order TEC/1262/2019, of the 26th of December, approved the fees for the 2020 financial year. However, the COVID-19 health crisis and the declaration of the state of alarm by Royal Decree 463/2020 of the 14th March, has resulted in a very significant fall in consumption of petroleum products and natural gas. This reduction has had a correlative effect on the financial stability of the Corporation. Given that article 25.3 of Royal Decree 1716/2004 allows for the establishment of extraordinary fees to ensure the financial solvency of CORES at all times, via Order TED/456/2020, dated 27th May, extraordinary fees were approved between June and September 2020 to counteract the effects of the COVID-19 crisis in addition to those originally approved under Order TEC/1262/2019.

5.2. Operational activity

Operational activity landmarks in 2019

- The conduct of seven tenders for the relocation and storage of petroleum products and crude oil.
- Organisation of National Emergency Exercise IV.

Principal quantitative indicators for operational activity in 2019

Maintenance of strategic stocks by CORES. Average 2019	7,361 thousand m ³ (45.4 days ¹)
Volume of strategic stocks covering additional days ² . Average 2019	412 thousand m ³ (2.8 days)
Storage capacity contracted by the Corporation up to 31 st December 2019	7,368 thousand m ³



Tenders for relocation and storage. Total capacity	615 thousand m ³
--	-----------------------------

¹ Equivalent to a day's consumption of petroleum products.

² to cover Industry obligations.

Strategic stocks

The level of strategic stocks at the end of 2019 stood at 7.3 million m³, made up of 31.0% crude oil and the remaining 69.0% by finished products. This reserves level is very similar to that of the previous year given that, having considerably reduced surpluses through sales operations of crude oil and petroleum products, the objective this year was to optimize the available surplus. This optimisation has been achieved through the assignment of additional days' stocks to cover industry obligations, once the necessary volume to cover demand for the next five years had been reserved.

The strategic stocks maintained have complied with the stipulated requirement for the equivalent of 42 days' worth of consumption of petroleum products, while the industry obligations were maintained through additional cover. In this way compliance has been adequately satisfied, with an obligation for 44.8 days, while computable stocks levels have stood at 45.4 days.

Maintenance of strategic stocks obligation – Average for 2019

Volume in thousands of m³

Category	Obligatory level		Computable stocks		Surplus	
	Volume	Days	Volume	Days	Volume	Days
Gasoline	854	46.6	876	47.8	22	1.2
Middle distillates	4,854	44.5	4,863	44.6	9	0.1
Fuel oil	318	43.3	371	50.5	53	7.2
Total	6,026	44.8	6,109	45.4	84	0.6

Source: CORES



Calculation of strategic stocks as of 31st December 2019

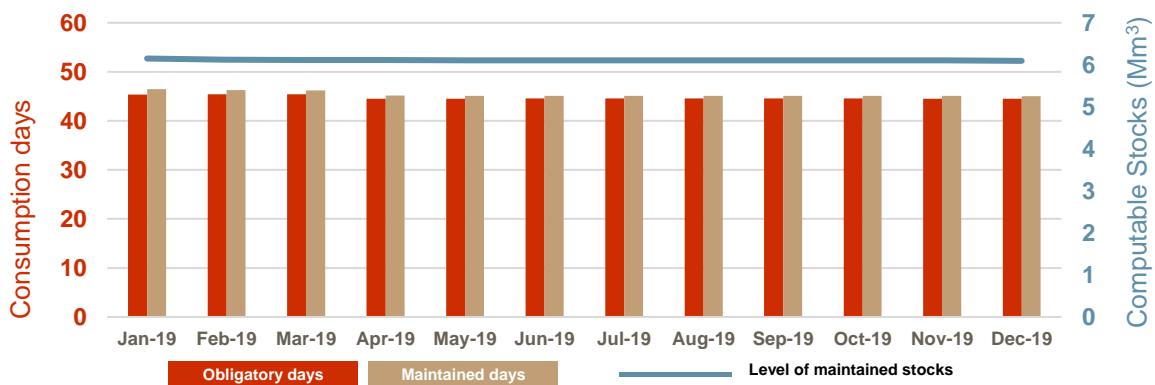
STRATEGIC STOCKS MAINTAINED (OBLIGATION)			STRATEGIC STOCKS MAINTAINED				
	Obligation (m ³)	Days	Physical (m ³)	Product equivalent ⁽¹⁾ (m ³)	Computable ⁽²⁾ (m ³)	Days	
Gasoline	863,616	46.7	553,585	971,785	874,607	47.2	
Middle distillates	4,849,563	44.2	4,423,374	5,399,923	4,859,930	44.3	
Fuel oil	314,813	43.4	93,251	398,913	359,021	49.5	
Crude oil			2,277,377	-	-	-	
Total obligation	6,027,992	44.5	Total reserves man	7,347,586	6,770,621	6,093,559	45.0

⁽¹⁾ 4% of naphtha deducted ⁽²⁾ 90% of product equivalent

Data as of 31st December 2019

Source: CORES

Evolution of strategic stocks compliance



Source: CORES

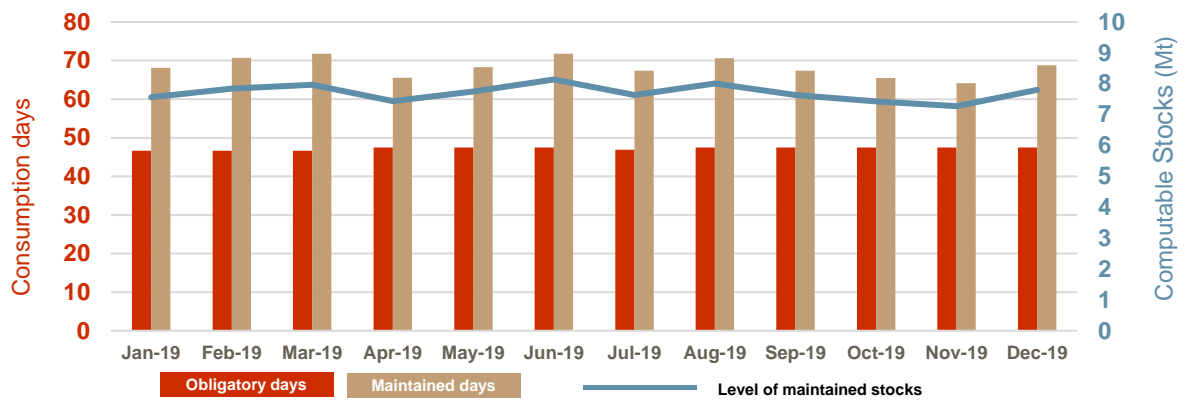
Industry reserves

Among its designated functions, CORES is responsible for ensuring that the companies subject to the minimum security stocks maintenance obligation, of both petroleum products (up to 50 days) and natural gas and liquid petroleum gas (20 days), comply with the established levels.

Within the petroleum products sector, over 2019 the total stocks maintained by the obligated entities stood at 7.7 million tons in average value, which represents a volume 45% higher than the required level and an increase of 6% compared with 2018.



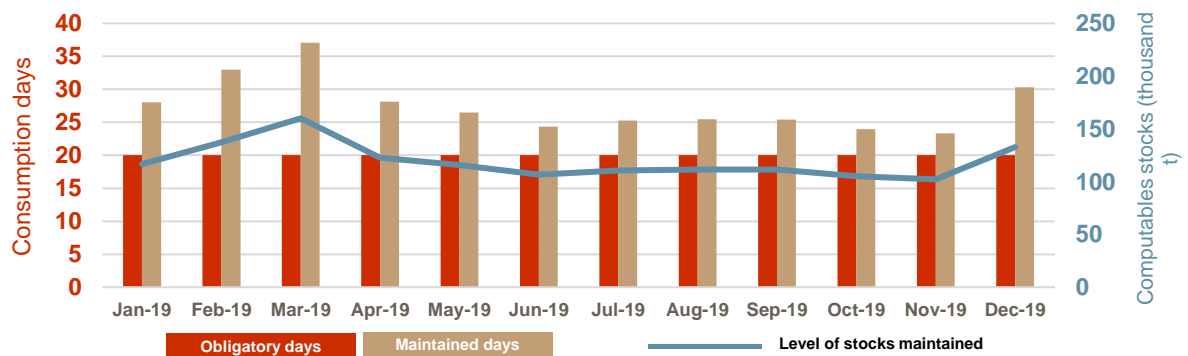
Evolution of compliance within the petroleum products sector (products total)



Source: CORES

In the case of liquid petroleum gas, the average stocks maintained in 2019 stood at 119 thousand tonnes, 9% less than in 2018. This quantity represents 27.6 days of consumption, 1.4 times the obligation.

Evolution of LPG sector compliance

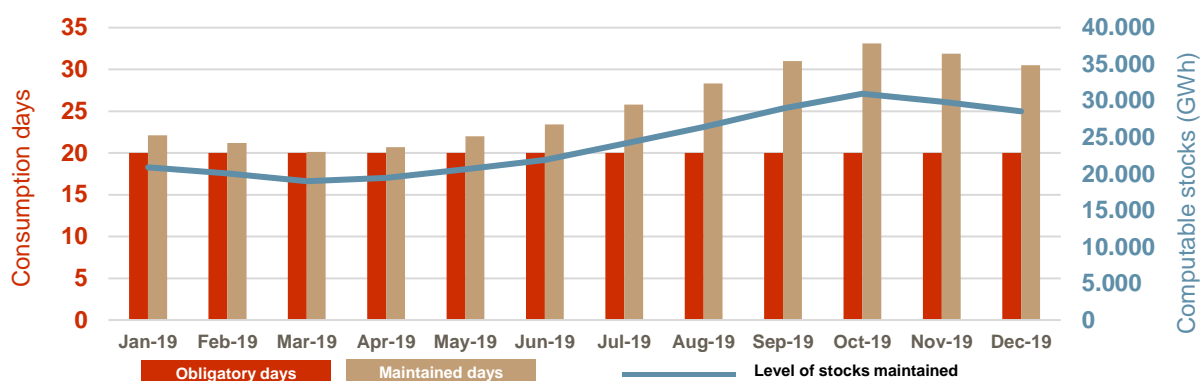


Source: CORES

In the case of natural gas, in 2019 the obligation stood at around 18,930 GWh up until March (on the basis of steady sales for 2017), and 18,790 GWh from April onwards (on the basis of steady sales for 2018). In this way, the computable stocks of the obligated entities stood at a minimum of 18,991 GWh on the 31st March (equivalent to 20.1 days of steady consumption) and 30,960 GWh on the 31st October (equivalent to 33.1 days of steady consumption).



Evolution of natural gas sector compliance



Source: CORES

Increase of strategic stocks

According to the procedures for allocating additional days approved by the Board of Directors, CORES may cover the maintenance requirements of the obligated entities for petroleum products (except LPG) above the level of 42 days established under the regulation, up to 92 days of the total, on the request of the interested companies, giving priority to those companies with lower sales quotas, according to the current legislation.

Over the last financial year, in line with this stipulation, additional days were allocated during the course of the 2019 financial year (from April 2019 to March 2020) in the first, third and fourth quarters of the year, in response to requests received. In addition, CORES accepts applications outside the time limits of the three month periods, always provided there is product available.

Over the course of the year, requests were received equivalent to a volume of 351 thousand m³, with 220 thousand m³ in the first quarter, 2 thousand m³ in the third and 6 thousand m³ in the fourth, volumes which were added to the annual allocation in the last two cases.

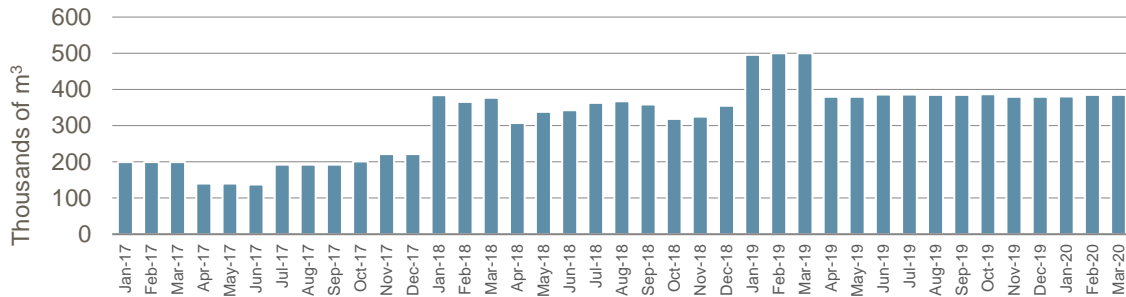
In 2019 two additional allocation periods were resolved; that corresponding to the first quarter of 2020, and the annual period from April 2020 to March 2021, thereby achieving complete optimisation of the excess, through allocating the full available volume of gasoline and middle distillates, making it possible to cover all requests in their entirety.

As a result, over the annual period it was necessary to apply the assignment criteria, defined under article 14 of Royal Decree 1716/2004, for the allocation of the gasoline and middle distillates groups. Nevertheless, CORES has managed to reserve a volume



for possible variations in the obligations, especially in the event that new obligated entities commence activity.

Volumes of strategic stocks covering additional days



Source: CORES

Relocations and storage tendering

In 2019 the CORES Board of Directors approved seven invitations for tender for the storage of a total of 464 thousand m³ of petroleum products and 151 thousand m³ of crude oil. All the tendering processes are conducted via the usual procedures, under conditions of maximum transparency.

CORES continually optimises the storage of its reserves by inviting tenders for storage facilities and relocation which result in lower associated costs

The first tendering process took place in April with the aim of finding new storage for a volume of 11 thousand m³ of diesel C, belonging to a contract which expired in June. The entire volume was stored in the Canary Islands and only offers from within the archipelago were accepted.

In September three storage tendering processes were organised. The first of these was for finished products (gasoline 95, diesel A and diesel C) in mainland territory and for a total volume of 311 thousand m³. In terms of the two remaining tendering processes, for crude oil in mainland territory (151 thousand m³) and products (142 thousand m³) stored in the Canary Islands, no offers were received for any of the batches.

Due to the result of the September processes, two further invitations to tender were made in October for the unassigned volume. Once these tendering processes were complete, 14 thousand m³ of gasoline in the Canary Islands, 4 thousand m³ of kerosene also in the Canaries and 76 thousand m³ of crude oil on the mainland were still to receive an offer. In the face of this situation it was decided to open a new process for the gasoline and kerosene stored in the Canaries which eventually saw the allocation of all the product.



In regard to the crude oil for which no storage offers were received, it was decided to opt for a swap agreement, on the basis of equal value and maintaining storage costs.

With the inclusion of the seven tendering processes conducted in 2019, CORES has now undertaken 18 operations of this type since 2013, 14 for products and 4 for crude oil.

Management of surplus

The most recent calculations of 5-year demand were made at the end of the 2019 financial year, before the COVID-19 crisis. These forecasts showed a slight increase in all product groups except fuel oil, although it was the lowest in recent years. The present health crisis will shortly make new estimates necessary which take into account the social and mobility changes resulting from this situation.

Currently, the surplus maintained by CORES amounts to 392 thousand m³ and is largely destined to cover additional days at the request of the obligated entities, which represent around 325 thousand m³. In conclusion, almost all the surplus volume above the CORES requirement is reserved to cover the additional days corresponding to company obligations.

Periodic participation in emergency exercises

During 2019, CORES participated in a national level emergency exercise, a process undertaken periodically in order to assess the response of the various agents involved in a hydrocarbons supply crisis situation, as well as analysing the communications systems and supply of information on the part of the obligated entities.

At the end of the year, in collaboration with the Ministry for the Ecological Transition and the Demographic Challenge, National Emergency Exercise IV was conducted, with a duration of approximately two months. This involved a simulated emergency scenario with a hypothetical supply shortage in which all the realistic procedures and decision-making processes were applied. It was designed from a minimum security stocks perspective and all the principal obligated entities from the sector took part, some for the first time, as well as the leading logistics operator. The results of the exercise were very satisfactory, with a successful achievement of the proposed objectives of increasing experience, putting the emergency procedures to the test and identifying relevant and critical issues.



5.3. Inspection Activity

Inspection activity landmarks in 2019

- Systemisation of the requirement for information from companies that provide storage services and production plants of petroleum products and biofuels, with the aim of furthering understanding of activity in the sector and thus significantly increasing the efficiency of CORES' control activity.
- Establishment of new analysis criteria for the natural gas sector which allow effective adaptation to the increase in activity and complexity of the market.
- Performance of the second phase of the comprehensive file management project which will enable complete management of supervision and control activity.

Principal quantitative indicators for inspection activity in 2019

Open inspection cases	204
Number of inspections conducted in which non-compliance was detected	37
Number of non-compliances detected	47
Average number of non-compliances detected	1.3
Market share of the operators where non-compliance has been detected	- Liquid hydrocarbons: 3.56% - Natural gas: 0.11%

Management of inspection activity

The task of supervision and control of strategic stocks and minimum security stocks maintained by the industry constantly involves new challenges in terms of adapting to the changing environment, characterised by an ever increasing variety and number of operations, as mentioned previously. In order to efficiently respond to the complexity of the sector, a continued renewal of this activity has taken place, focused on the digitalisation and automation of control processes.

Requirement for information from storage companies and production plants

Within the context of adapting to the sector environment, CORES is constantly looking for new ways to approach its supervision and control activity. In this way, within the liquid hydrocarbons sector, 2019 saw the systemisation of the request for monthly information from the storage and production plant companies which provide services to third parties, above all from their clients. This request was made via a global record for the sector and



includes information on stocks, inputs and outputs in the balance of petroleum products, biofuels and raw materials of the clients of the said installations.

This information will be employed to determine whether or not the clients of these companies rank as obligated entities in the maintenance of minimum security stocks and, if they do, to understand and evaluate their activity. Through the discovery of these new operations, CORES participates in the fight against fraud, conducting inspections, where necessary, on the basis of the results obtained. Using this information discrepancies may be identified through comparison with the data available within the Corporation, thereby detecting possible non-compliance, while also improving statistical information.

Specifically, in July 2019, CORES sent out this requirement for information to a total of 69 companies or business groups, in order that those qualifying for the obligation should begin submitting information in October, with figures for the first nine months of the year, with information on the previous month to subsequently be presented monthly from that moment onwards. There are currently 50 companies with the obligation to send this new data to the Corporation.

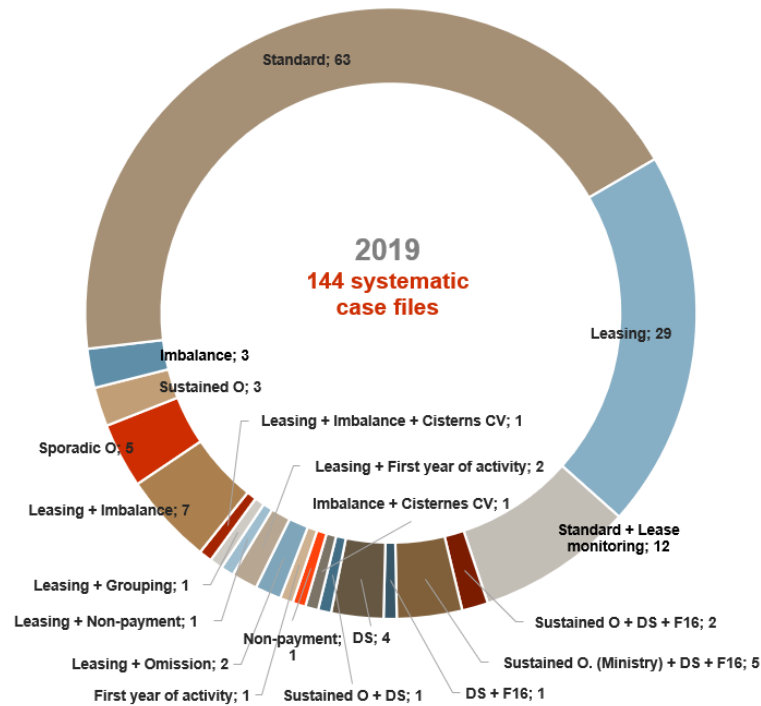
With this information CORES managed to broaden its understanding of sector operation and expand its control activity, thereby increasing the efficiency of its involvement in the fight against fraud.

New developments in the control of natural gas obligation

As usual, in 2019 all the obligated entities within the Spanish gas supply system were inspected. However, on this occasion the inspections required a more exhaustive prior analysis to identify new cases and potential non-compliances. This year the natural gas sector has seen a significant rise in the number of operators on the market, as well as an increase in diversity and complexity. As a result, it was necessary to design a new action strategy to approach the inspections in a more efficient manner, establishing new analysis criteria involving 14 new case file types which, combined with the 6 types introduced the previous year, meant a total of 20 different case file formats in 2019.



Types of System Case Files for Natural Gas in 2019*



* O: Omission of information; D.S.: declaration of sales; F16: form 16.

Source: CORES

In addition, natural gas shippers have been analysed according to the type of company and periodically submitted data. As a result, inspections have been divided into different analysis groups, with particular information requested in each case, thereby establishing a specific procedure for each type of file. Lastly, with the aim of obtaining a comprehensive analysis of the inspected companies, the available information has been contrasted with that supplied by the Technical Manager of the Gas System and the market operators.

Second phase of the management model for inspection files

In response to the need for continued improvement and innovation and greater digitalisation of processes, in 2019 the second phase of its comprehensive case management project was launched. Once this project is put into operation, scheduled for 2020, it will allow an optimisation of inspection work which will enable streamlining, automation and upgrading of processes, reducing administrative time, optimising available resources, improving communications with the obligated entities and other agents and ensuring traceability throughout the procedure.

In addition, in 2019 the communications and standardised documents of the previous year have been incorporated into the file management model. This has resulted in a



reduction in execution times, thanks to better standardisation and simplification of the production, validation and approval phases for the inspection files and their processing by the obligated entities and the competent administrative authority.

Control activity and detection of non-compliances

In the context of the monitoring and control functions performed by CORES in regard to the maintenance of minimum security stocks obligations in the liquid hydrocarbons, liquid petroleum gas and natural gas sectors, inspections are performed on the obligated entities according to the level of risks identified within the Annual Inspection Plan, and

CORES promotes innovation and increased digitalisation in its inspection processes

also as a result of specific Public Administration requests and in response to analysis of the information provided by the respective entities.

The continual renewal of inspection activity has been characterised by an increase in the number of inspections and their complexity, with a reduction in execution time for the case files.

In 2019 a total of 204 files were opened, of which 153 (75.0% of the total) related to the natural gas sector, which, as stated above, represents the analysis of 100% of the shippers active on the market. In the liquid hydrocarbons sector 49 files were opened (24.0%), which amounts to the verification of 33.9% of the total sales for consumption on the national market. Lastly, in the liquid petroleum gas sector 2 files were produced (1.0%), which corresponds to 71.8% of the sales for consumption in this sector.

Inspection files

	Number of open files	% of the total files	% of coverage of national market consumption
Liquid hydrocarbons	49*	24.0%	33.9%
LPG	2	1.0%	71.8%
Natural gas	153	75.0%	100.0%

* Does not include global file for Storage companies and Production plants storing for third parties during 2019.

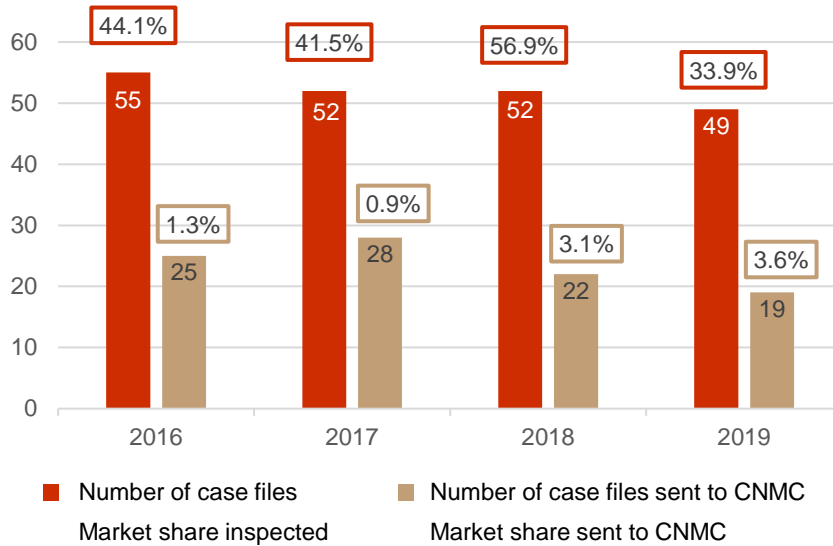
Source: CORES

Of the 204 open files in 2019, 37 of them (19 in the liquid hydrocarbons sector with a market share of 3.6% and 18 in the natural gas sector with a market share of 0.1%) indicated some incidents of non-compliance, which were then passed on to the



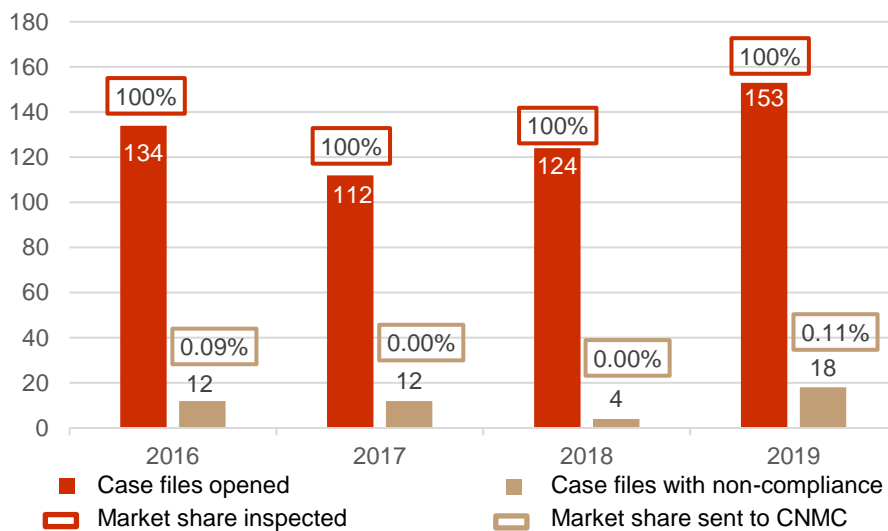
Competent Administrative Authority to decide whether to initiate sanction proceedings. However, as the total obligation is not normally produced simultaneously by all the entities over the financial year, it may be concluded that the security of supply was at no time compromised in 2019.

Evolution of the open files in the liquid hydrocarbons sector over the last 4 years.



Source: CORES

Evolution of open files in the natural gas sector over the last 4 years



Source: CORES



Control of CORES reserves

An essential part of CORES' inspection activity is to ensure the quantity and quality of the strategic stocks stored throughout national territory. This control process involves the measurement of crude oil and petroleum products stored in tanks and the collection of samples of these products for subsequent analysis of essential parameters in accredited laboratories. The monitoring of the results is especially important in the differentiated storage of crude oil and products over the long term.

32 control procedures of this type were conducted over 2019, representing approximately 60.5% of the strategic stocks total. In the context of maintaining the quality of stored products over the long term, it is worth highlighting the use of a program for the predictive analysis of diesel aging, which enables anticipation of any deterioration it may suffer.

Control procedures on strategic stocks

	<i>Number of control procedures</i>	<i>% of cover*</i>
<i>Strategic stocks</i>	32	60.5%

** Of the total strategic stocks*

Source: CORES

5.4. Information activity

Information activity landmarks in 2019

- Culmination of the process of recovering historical data on the hydrocarbons sector, which makes available a series of statistics from the sixties onwards in a swift user-friendly form.
- Promotion of improvements to infoCORES which will facilitate the transmission of information by the obligated entities.
- Call to all members for informative sessions on the oil and gas statistics for Spain in 2019.
- Increase of 39.1% in visits to the CORES website.



Principal quantitative indicators in information activity in 2019

Number of statistical publications	348
Number of visits to CORES websites	79,170
Number of subscribers to CORES publications and social network followers	2,407

As explained above, as part of the legal obligation for the maintenance of minimum security stocks, sector operators are required to submit details of their activity on a monthly basis via the infoCORES website platform, which is then verified and contrasted by the Corporation, with the purpose of ensuring the security of supply.

Among the CORES functions established by Law is the production of statistical reports related to the hydrocarbons sector along with joint responsibility with the Ministry for the Ecological Transition and the Demographic Challenge for a number of sections in the National Statistical Plan. In addition, the Corporation collaborates with Public Administration in the reporting of sector statistics to international bodies, such as the International Energy Agency Eurostat.

Expansion of statistical series since 1960

In the statistics section of its website www.cores.es CORES publishes information on consumption, foreign trade, balances, production and stocks of petroleum products and natural gas in Spain. This information is updated in Spanish and English on the 12th of each month, in relation to the two previous months, generally including information since 1996. As a new addition, in July 2019 CORES has expanded the updated statistical series with data since 1960, augmenting seven of its series and adding three new ones related to refinery capacity, refinery production by product group and consumption of petroleum products by group. In total, 30 updated statistical series are published annually, with 19 of them devoted to petroleum products and 11 to natural gas.

In addition to the statistics, CORES also makes a series of periodic publications available to the public, such as the Hydrocarbons Statistics Bulletin (HSB), the Annual Statistical Report and i_CORES, as detailed above. Specifically, in 2019, 12 monthly issues of the HSB were published, 34 i_CORES editions plus the 2018 Annual Statistical Report.

In 2019 some 79,000 visits to the website were recorded, representing an increase of 39.1% compared with the previous year. A large percentage of these visits included a



download of information, with the pages relating to the consumption of petroleum products and the Annual Accounts the most popular.

CORES also has more than 700 subscribers who receive free notifications of the new publications and statistics available on the website, as well as around 1,700 followers on its social networks.

Impetus for improvements to infoCORES

CORES uses the infoCORES web platform for the secure exchange of documents and information to communicate with the obligated entities, as explained previously. In 2019 a new electronic invoicing facility was introduced, which enables the obligated entities to download invoices directly from the platform. In addition, a module has been created for the management of the new balance forms (for storage companies), as well as updated functions which have been applied to all the platform modules.

Preparation of informative sessions on oil and natural gas statistics

As a new feature in the service to its members, CORES runs informative sessions on oil and gas statistics in Spain and other significant published information, explaining the data and the methodology employed. These meetings are aimed at furthering the understanding of the wide range of statistical information on offer. During 2019 CORES organised 14 informative sessions, with a total attendance of 162 people from 33 companies, with a very positive reception. This initiative will continue in the future.

5.5. Consultancy to Public Administration

Landmarks in consultancy activity in 2019

- Participation in a number of National Statistical Plan operations.
- Support to Public Administration in the preparation of technical documents.
- Consultancy to MITECO on international issues, attending ordinary and extraordinary sessions of the IEA and the working group events Standing Group on Emergency Questions (SEQ) and Standing Group on the Oil Market (SOM).



Principal quantitative indicators in consultancy activity in 2019

Number of public information procedures through the Hydrocarbons Consultative Council	12
Number of working groups on which the Corporation has been involved	13

Support to Public Administration in the production of reports, statistical reports and the development of the National Statistical Plan

In accordance with its legally delegated functions, CORES provides technical support to the Ministry for the Ecological Transition and the Demographic Challenge (MITECO) in areas related to the security of energy supply, as well as the statistical activity of the sector. As in previous years, it has actively collaborated in the design and preparation of the statistical questionnaires necessary for compliance with Spain's international obligations.

CORES is the main provider of information on the hydrocarbons sector, supporting Public Administration in its statistical obligations

As part of this collaboration, CORES attends meetings and working groups on energy statistics organised by the International Energy Agency (IEA) and by Eurostat, in a technical support role to the Ministry. In addition, in 2019 CORES held a number of meetings with other statistics suppliers both public and private, continuing the work begun in previous years to improve the Spanish statistical database and promote the coherence and standardisation of national data.

Support to Public Administration in the implementation of technical regulations

The Corporation participates in the processing of public information on various regulations related to the energy sector, on both petroleum products and natural gas, through the Hydrocarbons Consultative Council of the National Markets and Competition Commission represented by the Chairman. Specifically, over the 2019 financial year, it reported on two ministerial orders, nine circulars and one notification.

CORES participation in the implementation of technical regulations

	2017	2018	2019
Number of regulations and documents	10	8	12

Source: CORES



Participation in national and international working groups

With the aim of remaining constantly updated on new developments in the energy field, especially the security of supply, as well as offering its strategic perspective, CORES attends a number of national and international forums and working groups.

CORES maintains an active presence at events related to the energy sector, both national and international

Over 2019, in its capacity as consultant to MITECO, CORES has attended the principal ordinary and extraordinary meetings organised by the IEA at its Paris headquarters, most notably the Standing Group on Emergency Questions (SEQ) and the Standing Group on the Oil Market (SOM).

CORES has also participated alongside MITECO at sector meetings held within the European framework, especially the Oil Coordination Group (OCG) in Brussels.

As usual, the Corporation attended the annual meeting of ACOMES (Annual Coordination Meeting of Stockholding Entities) which brings together the principal strategic stockholding organisations around the world. In addition to the main session, it also participated in three of the subcommittees organized.

At a national level, CORES was present at various events, forums and working groups, such as the Technical Management of the Gas Systems Work Group, where it is a board member, as well as the bi-monthly meetings of the Gas system Monitoring Committee and the Mibgas Market Operators Committee, on the invitation of the organizers.



6. CORES, THE SECTOR AND SOCIETY

As explained previously, CORES's role in the Spanish security of supply of petroleum products and natural gas model was established under Law 34/1998 on the hydrocarbons sector and by Royal Decree 1716/2004, and revolves around two main issues: Security of supply and Information.

In accordance with current legislation, ensuring the supply of hydrocarbons involves specific obligations on the part of the various agents operating within the Spanish oil and gas sector: wholesale operators, natural gas shippers, large consumers and storage companies, among others. These obligations, which vary according to the type of organisation, essentially consist of maintaining stocks, paying the corresponding fees to CORES and providing information.

Although CORES' activity generally derives from this regulatory framework, specifically focused on the respective obligations of the entities involved, there are also a number of positive impacts for both society in general and the various CORES stakeholders, as explained in this section.

6.1. Value creation for Public Administration

CORES advises Public Administration on security of supply issues and statistical activity

Public Administration represents one of CORES' main stakeholders. Not only is the Corporation's activity regulated by specific legislation introduced by the Administration itself, but it also occupies a significant position on the organisation's governing bodies.

In addition, CORES provides information and advice to Public Administration on a range of issues related to security of supply and reporting to international bodies, while collaborating in the prevention of fraud within the sector and contributing to improvements in regulations from a technical perspective.

Information and consultancy to Public Administration bodies on security of supply and statistics

In accordance with its legally designated functions, CORES collaborates with the various Public Administration bodies providing information, consultancy and other related duties within its jurisdiction. The Corporation also provides technical support to the Ministry for the Ecological Transition and the Demographic Challenge (MITECO) in activities related to the security of energy supply. As part of this collaboration, the Corporation attends



meetings and working groups organised by the International Energy Agency (IEA) and other international bodies in a technical support role to the Ministry.

On the basis of its experience and understanding of security of supply topics, CORES offers recommendations for improvements to technical regulations. When required, the Corporation also participates in the processing of public information on various regulations related to the energy sector, for both petroleum and natural gas, through the Hydrocarbons Consultative Council of the National Markets and Competition Commission, on which it is represented by the CORES Chair.

Likewise, CORES collaborates with MITECO in the performance of emergency exercises conducted at both a national level and internationally through actions organized by the IEA. This is extremely useful in preparing the sector for possible market shortage situations, testing the efficiency of the system at its various levels in the face of potential emergencies. In terms of the information provided by the companies involved, these exercises enable, among other benefits, the identification and analysis of possible improvements to information systems and the proposal of concrete action which would increase the resilience of the system in a real-life crisis situation.

In regards to information, CORES' functions include the preparation of statistical reports on the hydrocarbons sector, with joint responsibility for various sections of the National Statistical Plan (PEN). In addition, it works alongside Public Administration in the reporting of sector statistics to international bodies, both the IEA and Eurostat, providing technical support at meetings and related working groups.

Collaboration in the prevention of fraud

In accordance with current legislation, CORES has powers to inspect and monitor compliance with the obligations for maintenance of minimum security stocks. As explained previously, in the course of the Corporation's inspection activity a number of non-compliances with regulations on minimum security stocks were detected, which were then notified to the competent administrative authority.

Meanwhile, the Sectorial Policy Agenda for the Chemical and Refining Industry, produced by the Ministry of Industry, Commerce & Tourism in March 2009, indicated that essential measures to combat fraud in the liquid hydrocarbons sector need reinforcing, including those related to the maintenance of minimum security stocks. CORES will continue to extend its inspection processes to support Public Administration in the prevention and elimination of fraud.



6.2. Promotion of innovation and good practice in the sector

The Corporation contributes towards emphasising the importance of good practices within the sector, ensuring the neutrality of its own operation, supplying quality information for decision making and contracting suppliers through fully transparent and open procedures.

Neutrality in CORES' operation

The activities conducted by CORES in line with current legislation involve specific obligations for sector companies. The Corporation guarantees the neutral application of regulations with no bias and/or favouritism towards any of

CORES operates in line with strict principles of neutrality

its members. With this in mind, CORES has a series of internal procedures in place which ensure equal treatment, which translates into a better perception of its operations and fuller collaboration in the process on the part of the companies involved.

The generation of trust and guaranteed neutrality on CORES' part in the course of its activities is thus fundamental for all the agents within the oil and gas sector.

Introduction of good practices into the sector

Through its activities, CORES establishes fluid relations with all the agents within the hydrocarbons sector, which puts it in a perfect position to promote innovation and the implementation of good operative practices, many of which are defined and standardised under current legislation. The Corporation encourages good practices through various channels: the maintenance of minimum security stocks, submission of information, inspection processes and invitations to tender for storage and the purchase and sale of reserves, among others.

Since 2013 CORES has communicated with the various sector operators via its **infoCORES** online platform. With its encryption method and digital signature authentication, this application guarantees the security of information and allows companies permanent access to their data.

In addition, CORES offers **specific informative sessions for new operators** within the sector. They will receive information on their obligations in terms of security of supply,





encouraging them to improve their operations as necessary, in line with Corporation standards.

Publication of information for decision making within the sector

The directives defined under the legislation, which establish a standardised and objective reporting methodology, guarantee the **presentation of information** on the part of the sector on the basis of common criteria. As a result, comprehensive and quality information can be made available at a national level, produced and published by CORES on the basis of these same criteria. This encourages companies to improve their own control and data submission processes, which translates into increased efficiency in processing and better quality of the information collected by the Corporation. This data, once fully compiled, forms the basis of Spanish reporting obligations to international organisations, and is made available to both businesses and the general public to assist with decision making and an understanding of the hydrocarbons sector.

Benefits deriving from the optimisation of CORES' financial management

CORES' financing comes from the fees paid by its members and other obligated entities in the maintenance of minimum security stocks. In this context, the optimisation of its management and planning represents a benefit for the sector.

The optimisation of CORES' financial management results in lower costs for the sector

The Corporation motivates programs and improvements which favour this optimisation, for example the management of surplus strategic stocks, as previously indicated, which helps to reduce financial costs for the sector.

Storage and product purchase and sale through tendering processes

CORES conducts its selection processes for suppliers and contractors in line with the principles of transparency, impartiality and free competition. In the case of storage contracts and those related to the purchase and sale of strategic stocks, as explained above, tendering processes are publicly announced via the website.

Once proposals have been received, they are all processed and evaluated by an Adjudication Committee which is appointed by the Board of Directors and includes the Corporation Chair and one member from MITECO, thereby avoiding potential conflicts of interest on the part of other members of the CORES governing bodies.



Other contracting requirements

The Corporation can have an impact on the activity of its suppliers, clearly establishing the technical, operational and economic specifications prior to any collaboration, making sure that good practices are adopted.

Specifically, in the case of storage companies, identified as the suppliers representing the greatest social and environmental risk due to the nature of their activity, the Corporation explicitly demands compliance with the secure and environmentally safe conditions and technical specifications defined under current legislation. These must be certified by the storage company when signing the contract, and again every year on the same date. A new agreement was signed with a storage company in 2019 and the safe, environmentally sound and technical state of their installations were all fully checked prior to the formalisation of the contract.

CORES also requires all the corresponding certification and/or an insurance policy covering any possible liabilities in the event of material or personal damages, either to personnel or third parties, caused by the movement, handling or storage of petroleum products, among other stipulations.

In addition, it promotes the diversification of external suppliers in the fields of consultancy and access to finance, favouring a rotation of the companies selected for these services and benefiting from complementary approaches.

As part of its ambition to encourage good practices among all the agents with whom it collaborates, CORES looks to promote and share its own commitment to sustainability and the environment with them. In the near future CORES will be taking new steps in defining the conditions it requires from its suppliers, and the mechanisms it will be putting into place to assist in this area, reinforcing the adoption of good practices and, in short guaranteeing compliance with the highest standards of sustainability and environmental management.

6.3. Value creation for Society

The maintenance of reserves in order to guarantee security of supply in the event of a crisis also has an impact on the economy and Spanish society as a whole, which also benefits from other positive effects associated with the Corporation's activity, such as the generation of quality statistics and the distribution of economic value to various agents.

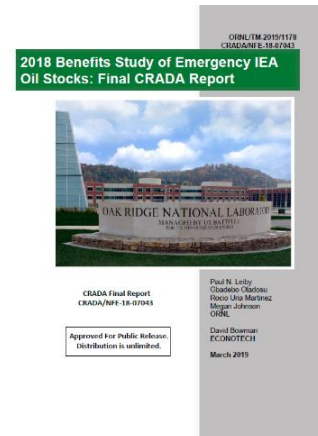


Importance of the security of supply for guaranteeing economic activity in the event of supply crisis

The maintenance of security stocks contributes to economic stability and competitiveness in the event of a supply crisis

In the event of a supply crisis, the maintenance of minimum security stocks of oil and natural gas will help to ensure the continuity of economic activity, with special relevance to those sectors most dependent on hydrocarbons, such as transport.

In fact, the maintenance of minimum security stocks in supply crisis scenarios has a potentially positive impact in terms of GDP in countries which, like Spain, are net oil importers. This was indicated by the International Energy Agency (IEA) document “2018 Benefits study of emergency IEA oil stocks: Final CRADA Report”, which calculated that, on average, when a release of oil stocks occurs, the collective GDP saving for all the countries which maintain reserves represents approximately \$550 billion (0.5% of GDP), and reduces import costs by a slightly lower amount, \$450 billion (equal to another 0.38% of GDP) during the 30 year period analysed.



A summary measure of the benefits of maintaining stocks are the annual profits by barrel of the emergency stocks held by the IEA. This study quantified the economic benefits deriving from the maintenance of oil reserves by the member states of the IEA at 61.27 dollars per barrel (\$/Bbl) per year at a global level for the net oil importers over a 30-year time frame.

In addition, according to this study, the maintenance of reserves allows the moderation of a sudden increase in the price of oil in the face of a supply crisis, helping, firstly, to reduce GDP losses (34.61 \$/Bbl per year), and secondly to reduce the costs of oil imports (26.10 \$/Bbl per year) in such an event.

The report also indicated other benefits such as, for example, a greater diplomatic flexibility on the part of the countries holding reserves, as well as improved national security and a reduction in military costs associated with the protection of supply and traffic of oil.



Generation of trust

The Spanish system of security of supply of hydrocarbons promotes trust in the Spanish economy. CORES contributes to maintaining this trust through its functions and the management of the associated risks.

Making information on security of supply and hydrocarbon statistics publicly available to society

CORES makes accurate hydrocarbons statistics available to Society

CORES has an information system designed for the purposes of security of supply. This provides the Corporation with a robust source of data which guarantees a reliable response in the event of a supply crisis, offering a comprehensive view of the whole sector,

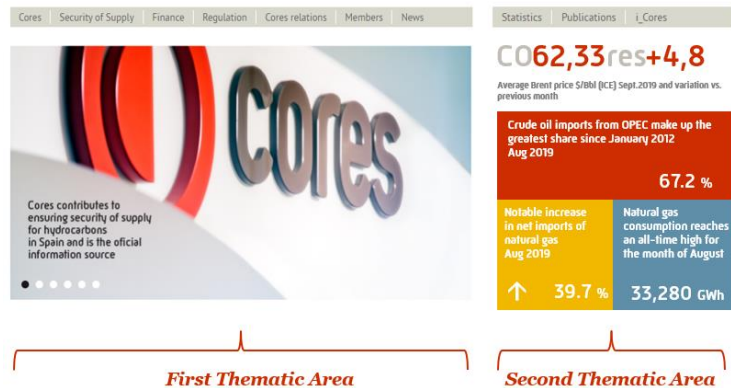
which is made available to society via the website www.CORES.es. This is the Corporation's principal vehicle for communication.

The contents of the website are structured in two specific directions. The first of these includes instructive information on CORES' activities as an entity which contributes towards guaranteeing the security of supply of hydrocarbons in Spain. The members of the

Corporation occupy a significant position, with a detailed explanation of their obligations and access to the infoCORES exchange of information platform. The second highlights the position of CORES as a benchmark provider of information on the hydrocarbons sector, including all its publications and statistics, accessible via the intuitive search engines.

In addition, the Corporation maintains an active presence on the main social networks, with profiles on Twitter, LinkedIn and Facebook, which announce its contents.

It should be highlighted that the beginning of 2019 saw the completion of an expansion of the statistical series on the hydrocarbons sector, with information since 1960, employing data from the now extinct CAMPSA and completing the series which were discontinued.





A flexible and efficient security of supply system which provides benefits to the end consumer

The mixed nature of the security of supply system existing in Spain, which shares obligations between CORES and the industry, as explained previously, allows the optimisation of costs associated to the maintenance of reserves, which benefits both the sector and Spanish society as a whole. As an example, in the case of diesel, the cost of CORES only amounts to 0.3% of the final price.

Promotion of the Spanish security of supply model

In addition to its presence, described at the beginning of this chapter, at IEA events as technical support for Public Administration, the Corporation also participates in a number of forums organised by other bodies promoting the Spanish security of supply model, at both a national and international level.

One of the most significant of these was the **Annual Coordinating Meeting of Entity Stockholders** (ACOMES), a forum in which the Corporation has participated since its creation alongside other similar agencies, with the aim of sharing knowledge and best practices in security of supply models, as well as fostering institutional relations. In September 2019 the 30th edition of this event was held in Rome, with the attendance of 59 representatives from 29 entities from Europe, America and Asia.

CORES is the patron member of the **Club Español de la Energía (Enerclub)**, participating via the Corporation Chair on its Steering Committee and Board of Directors, as well as the various open days and publications organised by *Enerclub*, as well as its postgraduate study programs, where several of the Corporation's team give lectures. Within *Enerclub*, CORES forms part of the **Spanish National Committee of the World Petroleum Council (WPC)**. In 2019 the Corporation sponsored the second edition of the WPC Spanish Oil & Gas Youth Award.

In addition, CORES is a patron member of the **Spanish Association for the Energy Economy** (AEEE) and in 2019 collaborated with **the Foundation for Energy and Environmental Sustainability** (FUNSEAM) on an introductory session on the Spanish Security of Supply System at the international program for a Masters in Energy Management at the ESAN University in Peru.

In addition to its promotional activity at national forums and associations, CORES publishes articles in the specialist press to communicate the importance of security of supply. In 2019 it published an article on strategic stocks in the magazine Tank storage.



6.4. Professional environment project for employees

It is the individuals who make up CORES that make the Corporation's activities possible thanks to their knowledge and experience of the sector. Over recent years, a number of new steps have been taken to offer its employees an attractive, secure and rewarding working environment.

As of the 31st December 2019, CORES had 55 employees working in its various departments (executive team, managers, technicians and administrative personnel). This professional team includes a balanced mix of women (53%) and men (47%), with an average age of 44 and more than 10 years within the organisation, an indicator of the low level of staff turnover.

CORES staff. Breakdown by age and gender.

	2015		2016		2017		2018		2019	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
<35 years of age	3	2	4	2	5	3	5	2	7	4
35-54	18	20	17	20	17	21	17	23	16	23
>55	1	2	2	3	2	3	2	3	3	2
TOTAL	22	24	23	25	24	27	24	28	26	29

Source: CORES

CORES staff. Breakdown by professional category.

	2015		2016		2017		2018		2019	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Executive Team	3	3	3	3	3	4	3	4	3	4
Managers	3	4	3	4	3	4	4	4	4	4
Technical	12	10	13	11	14	11	14	11	16	13
Administrative	4	7	4	7	4	8	3	9	3	8

Source: CORES



Reconciliation, flexibility and disconnecting from work

CORES promotes flexibility in working hours, encouraging the reconciliation of the private and professional lives of its employees. In the framework of Royal Decree-Law 8/2019, dated 8th March, on urgent measures for social protection and the fight against job insecurity, a variable working day has been established, based on an annual calculation with a monthly control over the working day, introducing a wider flexibility in hours and allowing times to be adjusted according to the volume of work. These flexible hours, like other methods of organising work time and rest periods, enable a better reconciliation between the personal, family and working lives of employees, and ultimately result in improved productivity.

Communication and dialogue with employees

CORES encourages constructive dialogue with its employees. For this purpose it has developed various means of **internal communication** to keep staff well informed of new developments and management decisions, together with the strategic focus behind their operations.

This communication is conducted via a management software system, which enables the channeling of activities related to human resources and work matters such as training sessions, notification of absences and leave, vacation requests and the issuing of salaries, among other sections.

In 2017, an **employee engagement survey** was conducted for the first time, with the aim of assessing how far staff identified with CORES' strategic objectives and vision for the future, employees' adaptation to corporate values and culture, loyalty to the organisation and sense of involvement in their own work and the Corporation in general.

The survey was conducted in conjunction with an external consultant in order to guarantee the full anonymity and confidentiality of the responses obtained, as well as the objectivity of the conclusions reached. There was a high level of participation, and the analysis of the overall results showed a very positive reaction, while also suggesting some possible areas of improvement and recommendations, on the basis of which specific measures have since been adopted.

In regard to **collective bargaining**, CORES is governed by the general regulations of the collective agreement for office staff of the Madrid Autonomous Region. In accordance with the current legal framework, the Corporation respects the right of all its employees to collective representation and encourages their involvement in negotiation procedures.



For this reason, active relations are maintained with staff representatives, who are regularly consulted and informed on all decision-making processes relevant to the organisation and its personnel.

People development model

The professional development of staff is fundamental to the philosophy of the Corporation. Ever since the comprehensive human resources management process was first introduced, a **people development model** has been in place based on three essential principles: efficiency in operations, excellence at work and the professional development of staff.

Professional training and development are essential aspects of the CORES people development model

The model looks to equip its employees with the capabilities to achieve their goals and objectives within CORES, and thereby support and assist the development of the Corporation itself. Likewise, it aims to promote teamwork and professional relations together with clarity in the allocation of responsibilities, recognition of individual contributions to global objectives and ongoing training to ensure that all staff have the adequate technical skills. This policy is based on two separate and indispensable tools: the assessment of performance and the training program.

Performance assessment

Within this model, **performance assessment** based on works skills and the achievement of objectives, is proving its use as a management tool, offering the means to visualize both efficiency levels and the successful combination of CORES' mission and the individual goals of its staff.

One of the fundamental aspects of performance assessment is the constant monitoring and support on the part of managers, with the aim of providing ongoing and constructive feedback and ensuring that the desired objectives are achieved.

CORES conducts a **twice yearly assessment of the skills and objectives** of its employees. These are individually designed according to the function each employee performs within the Corporation. In addition, for each type of position, a series of competences are defined for the correct execution of their related activities. The purpose of this exercise is to establish a continual assessment system which promotes the improvement of individual capabilities, internal communication and fairness.



Staff training

Staff training and education play an essential role in professional development. CORES promotes the continual training of its professionals to ensure optimum technical skills and a full and updated understanding of the sector.

Over the course of 2019 the Corporation continued to develop its **Training Plan**, first approved in 2016. This Plan encompasses all training needs and activities, which are then divided into two areas, one generalised and applicable to all staff, which includes languages and office skills, among other aspects, and one more specialised area focusing on personalised training programs for each employee based on the objectives of their departments and specific levels of responsibility.

During 2019, 119 training events took place, meaning that 96% of the workforce participated in at least one activity over the year. The investment in the program amounted to €93,954.

In addition to technical training, staff have also received specific education on the Corporation's Code of Ethics, with tools and behavioural guidelines to ensure that all their activity is conducted in line with the strictest ethical standards.

With the aim of evaluating the effectiveness of the Training Plan, CORES conducts satisfaction surveys among staff. The results showed a positive response to the activities undertaken, with up to 68% of the initially planned actions executed with a very positive evaluation on the part of employees, with this figure going up to 97% for those programs rated as good or very good.

Safe and sustainable working environment

CORES has an Occupational Health and Safety Policy in place for its employees, adopting all the necessary preventative measures in order to comply with applicable legislation. To achieve the stipulated objectives, it is essential for all staff to understand and follow the health and safety rules and to look out for the safety of any parties who may be affected by the activities of the Corporation. For this purpose, the necessary training is provided to promote employee awareness and ensure that they can perform their duties in an absolutely secure environment.

In addition, with the aim of further advancing this particular area, CORES has its own Health and Safety Committee which controls and monitors compliance with occupational risk regulations. All Corporation personnel are represented on this Committee, and in 2019 meetings were held to address questions related to the prevention of risks at work



and health and safety issues, studying both the reports from our external services and suggestions made by staff. Once these were analysed, the committee proposed a number of improvements for preventative health and safety measures to Corporation Management.

In an effort to improve health and safety conditions, CORES changed its corporate headquarters in 2013 to obtain a better distribution of working space, a more comfortable and climatized environment and ergonomics for its employees. In accordance with the commitment to the environment established under its Code of Ethics, the Corporation took into account sustainability criteria when selecting its new location.

With this in mind, CORES relocated to a building with LEED Gold certification, which ensures that its design, construction and installations comply with best practices in terms of sustainability and energy efficiency as defined by the U.S. Green Building Council. Thanks to this location, the direct environmental impact of CORES' activities is kept at a minimum, optimising energy and water consumption in the offices and ensuring that all office waste is correctly separated and managed. The certification also guarantees the maintenance of a quality working environment which improves general conditions, staff satisfaction and reduces absenteeism.

In addition, the Corporation has a policy and rules on the employment of information systems which promotes the use of multi-functional equipment which permits significant financial and energy saving, the purchase of recyclable office materials and the return of consumables for subsequent recycling.

In addition to its office operations, CORES has its own deposits where 5.5% of its reserves are stored, as explained previously. The management of these storage facilities is subcontracted, with third parties holding responsibility for the corresponding environmental issues and the execution of action necessary to prevent and control pollution at these installations, although periodic controls and audits are conducted, with no incidents reported over recent years.

Commitment to equal opportunities

CORES promotes **equal opportunities**, guaranteeing a working environment free from discrimination and harassment to ensure equal treatment of all employees.

This commitment, defined under the **Corporation's Code of Ethics**, is applicable in all dealings with other people, with the Financial and Administration Head Office entrusted with ensuring that all selection and recruitment processes, performance assessment,



salaries, promotion and training are conducted on the basis of merit and suitability for the position.

In this context, specific practices have been implemented to prevent all forms of discrimination within the potentially sensitive area of the recruitment of new staff. These are exemplified by the collaboration with external consultants and the launch of anonymous selection procedures based solely on competences and experience.

As indicated in the chapter on good governance, CORES, through its nature, has a limited capacity to promote diversity on its Board of Directors. In all events, the Corporation, conscious of the benefits provided by diversity, has produced a document on “the Profile of CORES Board of Directors members, a study and analysis of the composition of the same on the basis of diversity criteria”, which has been adopted as the guideline for the appointment of directors. This document highlights the advantages of diversity, not just on the basis of gender, but encouraging diversity of experience, origin, gender, age and educational background on its governing bodies.



ANNEX – ACCOUNTS BALANCE SHEET AND RESULTS

Balance sheet

Assets

Units: Thousands of Euros

	2019	2018
NON-CURRENT ASSETS	34,088	32,112
Intangible fixed assets	672	263
IT applications	273	156
Other intangible fixed assets	399	107
Material fixed assets	18,872	21,658
Technical installations and other material fixed assets	18,872	21,649
Fixed assets in progress and advances	-	9
Long term financial investments	14,544	10,191
Derived assets	14,467	10,113
Other financial assets	77	78
CURRENT ASSETS	1,875,734	1,915,631
Stocks	1,852,283	1,862,485
Strategic stocks	1,852,283	1,862,485
Commercial debtors and other accounts receivable	561	1,418
Clients, associated companies	505	1,309
Various debtors	6	5
Personnel	47	66
Assets from current tax	-	-
Other credits with Public Administrations	3	38
Short-term financial investments	-	-
Derived assets	-	-
Short-term accrual calculations	23	55
Cash and other equivalent liquid assets	22,867	51,673
Treasury	22,867	51,673
Total Assets	1,909,822	1,947,743

Balance sheet as of 31st December 2019 and 2018. Audited accounts.



Liabilities

Units: Thousands of Euros

	2019	2018
NET EQUITY	284,476	261,530
Own funds:	284,476	261,530
Capital	-	-
Reserves	261,530	255,208
Special Reserves	201,811	195,631
Statutory Reserves	59,719	59,577
Financial year result	22,946	6,322
NON-CURRENT LIABILITIES	1,604,588	1,509,245
Long-term debts	1,604,588	1,509,245
Obligations and other negotiable securities	1,009,588	1,004,245
Debts with credit institutions	595,000	505,000
CURRENT LIABILITIES	20,758	176,968
Short-term debts	2,249	127,244
Obligations and other negotiable securities	-	-
Debts with credit institutions	2,238	127,233
Other financial liabilities	11	11
Short-term debts with associated companies	5,232	7,798
Commercial creditors and other accounts payable	13,277	41,926
Suppliers and associated companies	137	137
Creditors	10,520	10,898
Salaries/payments outstanding to personnel	68	60
Liabilities through current tax	9	38
Other debts with Public Administration	2,543	2,358
Advance client payments	-	28,435
Total Net Equity and Liabilities	1,909,822	1,947,743

Balance as of 31st December 2019 and 2018. Audited accounts.



Profit and Loss Account

Units: Thousands of Euros

	2019	2018
A) CONTINUING OPERATIONS		
1. Net revenue	183,802	161,430
a) Sales	31,889	8,400
b) Provision of services	151,913	153,030
2. Variation of stocks and finished and ongoing products	(10,202)	(3,640)
4. Personnel costs	(4,968)	(4,396)
a) Salaries and related payments	(3,143)	(3,039)
b) Social contributions	(1,478)	(1,357)
c) Allowances	(347)	-
5. Other operative costs	(125,714)	(127,353)
a) External services	(125,397)	(126,931)
b) Taxes	(21)	(36)
c) Losses, deterioration and variation of provisions through Company Operations.	(296)	(386)
6. Repayment of fixed assets	(2,876)	(2,803)
11. Deterioration and results from disposal of fixed assets	(1)	-
A.1) OPERATING RESULT	40,041	23,238
9. Financial revenue	42	180
b) Negotiable securities and other financial instruments	42	180
b2) From third parties	42	180
10. financial costs	(17,127)	(17,054)
b) Through debts to third parties	(17,127)	(17,054)
11. Exchange rate differences	(1)	(4)
A.2) FINANCIAL RESULT	(17,086)	(16,878)
A.3) RESULTS BEFORE TAX	22,955	6,360
12. Tax on profit	(9)	(38)
A.4) FINANCIAL YEAR RESULTS FROM CONTINUING OPERATIONS.	22,946	6,322
Financial year results	22,946	6,322

Corresponding to the financial years ending on 31st December 2019 and 2018. Audited accounts.



Sustainability report 2019

CORES is the Spanish Stockholding Entity. It contributes to ensuring security of supply for hydrocarbons in Spain, maintaining the strategic reserves and controlling the industry minimum security stocks. CORES also contributes to guaranteeing appropriate diversification in natural gas supplies, prepares statistical reports related to the hydrocarbon sector and collaborates with the different public administrations in order to provide information and advice.



cores

Corporación de Reservas
Estratégicas
de Productos Petrolíferos

Public Law Corporation
under the aegis of the
Ministry for the
Ecological Transition and
the Demographic Challenge