English translation for information purposes.
In case of discrepancy the Spanish version will prevail.

NOMINATION AND COMPENSATION COMMITTEE

Report on the Remuneration Policy of the Board of Directors

25 February 2014

1. PURPOSE OF THE REPORT

1.1. Introduction

The purpose of this voluntary Report on the Remuneration Policy for the Board of Directors of Repsol in 2013 (the "**Report**") is to provide detailed information on the Repsol Group remuneration policy and its application to Directors, for the performance of their executive duties and the supervisory and decision-making duties of the Board as a body corporate.

With this report Repsol aims to enhance the transparency of its corporate governance and remuneration schemes and give shareholders a comprehensive understanding of the information set out in the Annual Report on Directors' Compensation in Listed Companies pursuant to Circular 4/2013 of the National Securities Market Commission[1], annexed hereto, in line with the policy of maximum transparency to which the Company is committed.

In business terms, 2013 was a complicated year and the earnings obtained are a reflection of the enormous efforts made. The principal achievements of the year are summarised below:

- Production was up 4% on 2012, three of the strategic growth projects were started up (Sapinhoá in Brazil, SK in Russia and Phase II of Margarita-Huacaya in Bolivia) and development of the other projects continued, among which the declaration of marketability was obtained for the Carioca field in Brazil.

- The year closed with a reserve-replacement ratio of 275%.

- The investments in exploration were maintained, continuing the success trail begun in 2005 as eight of the prospectings were positive.

- 65 exploration blocks were added to Repsol's mineral rights, mainly in the USA (44 blocks) and Norway (6 blocks).

- Repsol demonstrated once again the good quality of its Downstream assets, with EBITDA of 863 million euros and leadership positions among its European rivals in terms of integrated Refining and Marketing margin. All this in a climate marked by ebbing demand, which has pulled down the refining and chemical margins and sales in the commercial businesses.

- Net debt was reduced year on year by 20.3%.

- In the corporate area, treasury stock sales (5%) enabled the incorporation of Temasek as a shareholder and the voluntary buy-back of Group preference shares. Repsol has also

[1] National Securities Market Commission (CNMV) Circular 4/2013 of 12 June, which establishes the models for the Annual Report on Directors' Compensations in Listed Companies and the members of the Board of Directors and the Control Committee in savings banks which issue securities traded on official stock markets.

received numerous recognitions in respect of its corporate social responsibility and commitment to society and has held positions of leadership in the institutions and organizations in which it participates.

- The Repsol share rose in value by 19.5% in 2013, outstripping our European peers (10.4%).

- Our shareholders were remunerated with a dividend yield of 6%.

- Repsol has maintained its commitment to society and its employee, investing over 20 million euros in training, equivalent to an average of 40 hours per employee, lowering the Accident Rate (0.59 in 2013) and avoiding the emission of 353,000 tonnes of CO_2 equivalent.

With regard to the annual variable remuneration of the Chairman/CEO, the objectives were 72% achieved, giving rise to the payment of an amount equivalent to 32.4% of his non-variable remuneration.

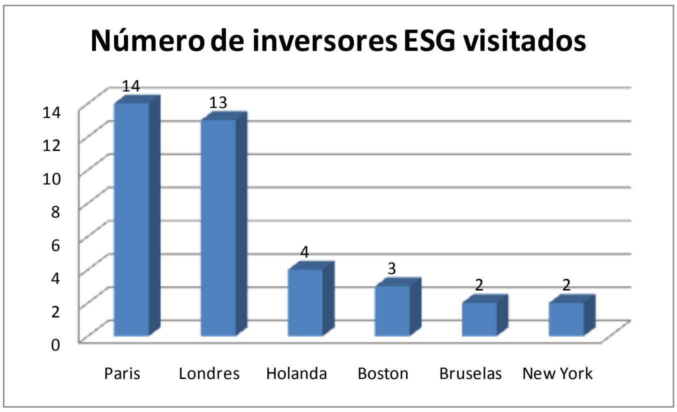
The level of fulfilment of objectives for the Chairman/CEO's medium-term variable remuneration has been set at 75.56%, giving rise to payment of an incentive equivalent to 57.43% of his non-variable remuneration.

As in earlier years, Repsol continues with its medium-term variable remuneration policy with the intention of encouraging key employees to stay and providing them with incentive, while strengthening the commitment of Executive Directors. Thus in 2013 the Medium-Term Incentive Programme 2013-2016 and the Third Cycle of the Loyalty Incentive Scheme (Cycle 2013-2016) were implemented.

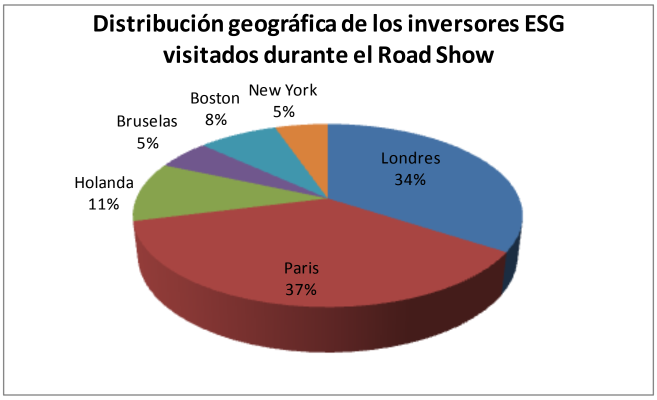
During 2013 Repsol ran an extensive engagement campaign with its shareholders and proxy advisors, focusing specifically on issues concerning safety and environment, corporate social responsibility and corporate governance (ESG - *Environmental, Social and Governance*), which is a pioneer initiative in Spain. The policies of 149 institutional investors distributed among 19 countries and representing 46.72% of Repsol's capital were analysed in detail. Within the framework of this initiative, Repsol has published on its website the "ESG Investors Engagement Report 2013", which summarises the activities undertaken and is intended to render accounts to the Company's stakeholders regarding the Board's policy of dialogue with ESG investors, the different mechanisms implemented, the key issues identified and Repsol's response to the concerns detected.

Within this engagement campaign and as proof of its commitment and the considerable importance that the Company attaches to this matters, in autumn 2013 the Chairman/CEO led a roadshow specifically dealing with ESG issues, giving a first-hand insight into shareholders' concerns and expectations in these matters and, especially, in respect of remunerations. One of the aspects most highly valued by the investors visited was precisely the participation and leadership of the Chairman/CEO in a roadshow of this nature. In addition to this roadshow, the Investor Relations team, accompanied by the ED Corporate Governance, ED Corporate Responsibility and ED Safety and

Environment, made other visits to investors situated in other countries. The following graphs summarise the total visits made by Repsol and the geographical location of the investors:



Number of ESG investors visited



Geographical distribution of ESG investors visited during the Road-Show

As a result of the Company's ample reflection process, its exhaustive analysis of the policies and voting recommendations of investors and proxy advisors and considering the concerns and expectations detected during the engagement process, a review of the remuneration policy has been made, the main features of which are set out below:

- A ceiling of six (6) million euros was set by the General Shareholders' Meeting for Directors' compensation for the performance of their supervisory and decision-making duties.
- At the express request of the Chairman/CEO, termination as of 12 March 2013 of the commitment undertaken by Repsol S.A. to make contributions to a pension scheme, so the Company has not made any additional contributions since that date.
- Reduction of the total remuneration received by the Chairman/CEO in 2013 in respect of that of 2012.
- In line with the undertaking by the Board of Directors and the Nomination and Compensation Committee indicated in the Remuneration Report 2012, severance pay has been limited to two years' remuneration for any new Executive Directors that may be appointed in the future.
- Incorporation of greater transparency in the breakdown of short and long-term variable remuneration schemes, indicating the objectives, metrics, weightings and limits for Executive Directors.

Finally, as regards the alignment of Executive Directors' interests with the long-term interests of shareholders, the Chairman/CEO is the individual holding the largest number of shares in the

Company, with a value approximately equivalent to 244% of his current non-variable remuneration, which reflects his commitment to the Company and his full alignment with the interests of the other shareholders.

Madrid, 25 February 2014

1.2. Nomination and Compensation Committee: description and duties concerning Directors' compensation

1.2.1. Composition

According to the Articles of Association and the Regulations of the Board of Directors, all the members of the Nomination and Compensation Committee are Outside or Non-Executive Directors, three (3) of whom are Independent and the other two (2) Institutional. All the Committee members have extensive experience and expertise in the duties to be performed.

At the date of approving this report, the composition of the Nomination and Compensation Committee is as follows:

NAME	POSITION	STATUS
Artur Carulla Font	Chairman	Independent
Mario Fernández Pelaz	Member	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Institutional
Juan María Nin Génova	Member	Institutional

In addition, Artur Carulla Font has been performing the duties of Lead Independent Director since 2011, bringing Repsol in line with the best international good governance practices. The principal responsibilities of the Lead Independent Director are listed below:

- Request the Chairman of the Board to call Board meetings whenever he may deem fit, and include certain matters on the agenda for meetings.

- Coordinate and echo the opinions of the Outside Directors.

- Call and chair such meetings of the Independent Directors as he may consider necessary or convenient.

- Direct the assessment of the Chairman by the Board of Directors.

1.2.2. Main duties

The duties of the Board of Directors of Repsol and its Nomination and Compensation Committee regarding remuneration are regulated in the Articles of Association and the Regulations of the Board of Directors.

The main duties of the Committee include proposing the Directors' remuneration policy to the Board, assessing the responsibility, devotion and disqualifications required of Directors, that of the Executive Directors for the performance of their executive duties and other conditions of their contracts and the remuneration policy for Senior Executives.

The Nomination and Compensation Committee is also responsible for the selection, appointment, re-election and removal of Directors. For this purpose, it assesses the competence, expertise and experience required on the Board, defining the duties and skills sought in the candidates for any vacancy and assessing the time and dedication required to be able to perform their duties well.

During 2013, the Nomination and Compensation Committee met on 5 occasions, with an attendance rate of 100%[1]. At those meetings, the Committee debated, among others, on the following aspects:

- Review of the current remuneration system to determine its suitability in respect of common market practices.
- Setting of targets for the 2013 annual variable remuneration scheme.
- Approval of 2013 Executive Directors' non-variable remuneration for their executive duties.
- Approval of 2013 Directors' remuneration for their supervisory and collegiate duties.
- Assessment of the fulfilment of targets established in the multi-year variable remuneration programme MTI 2009-2012.
- Launching of the new multi-year variable remuneration programme MTI* 2013-2016.
- Approval of the Annual Report on Remunerations 2012.

During 2014 until the date of publication of this report, the Nomination and Compensation Committee has met twice to discuss the following aspect, among others:

- Assessment and approval of the Executive Directors' annual variable remuneration for the results achieved in 2013.
- Assessment of the degree to which the Executive Directors met the targets established in the multi-year variable remuneration programme MTI 2010-2013 for the results achieved over these four years.
- Approval of 2014 Executive Directors' non-variable remuneration for their executive duties.

[1] Attendance is calculated according to the rules established in the current model Annual Corporate Governance Report approved by CNMV Circular 5/2013 of 12 June.
* MTI = Medium-Term Incentive

- Approval of 2014 Directors' remuneration for their supervisory and collegiate duties.

- Approve the launching of the new multi-year variable remuneration programme MTI 2014-2017.

- Approve this Annual Report on Remuneration.

With a view to enhancing the performance of its duties, the Nomination and Compensation Committee may request the Board of Directors to engage legal, accounting or financial advisers or other experts.

In 2013, Towers Watson, independent advisers specialising in director and senior executive compensation, has counselled the Nomination and Compensation Committee on the preparation of this compensation and remuneration policy report, on the preparation of the Annual Report on the Remuneration of Repsol's Directors made in accordance with the model of the CNMV Circular 4/2013, and on the preparation of benchmarking for the Chairman/CEO's remuneration.

1.3. Philosophy of the Remuneration Policy: principles and criteria

The most characteristic principle of Repsol's remuneration policy is the search for reciprocal generation of value for employees and the Group and the long-term alignment with shareholders' interests, while guaranteeing transparency in its remuneration policy.

The principles and criteria of the remuneration policy for directors are reviewed permanently by the Nomination and Compensation Committee and the Board of Directors to keep the Company's remuneration policy in line with the best practices and international trends.

1.3.1. Executive Directors

The Executive Directors' compensation for their executive duties follows the principles explained below:

- Ensure that the structure and overall amount of the compensation complies with the best practices and is competitive in relation to comparable companies, to thus attract, retain and motivate the best professionals.

- Establish compensation based on objective criteria related with the individual performance of the Executive Directors and achievement of the Company's and Group's business goals.

- Maintain an annual variable component conditional upon the fulfilment of specific, quantifiable objectives aligned with corporate interests, with control and measurement systems to determine the variable remuneration to be received based on assessments measuring individual performance and the personal contribution by the Executive Director to achievement of the company's goals.

- Incorporate multi-year medium/long-term variable remuneration to encourage the sustained achievement of goals and to retain key persons.
- Maintain an adequate balance among the different components of the pay package, in line with the best practices worldwide.
- Ensure alignment with shareholders' interests by encouraging the holding of shares.
- Keep the remuneration policy of the Executive Directors in line with that of the Senior Executives.

1.3.2. Outside Directors

Directors' compensation for their supervisory and decision-making duties as a body corporate is based on the following principles:

- The remuneration must be sufficient and adequate to reward the Directors' devotion, qualification and responsibilities, without compromising their independent judgment.
- The remuneration must be on a par with that paid elsewhere in the market. To ensure this, the directors' compensations established in other Spanish and European listed business groups with a similar size, business and operating complexity and geographical distribution of assets to those of Repsol are taken into account.

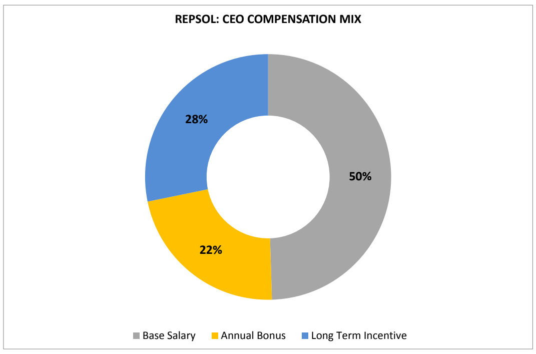
2. COMPENSATION OF EXECUTIVE DIRECTORS

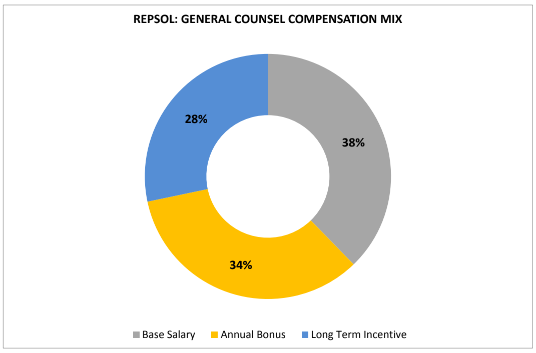
2.2. Vision of Total Compensation

The Executive Directors' pay package for 2014 consists of the following components:

Component	Relevant Aspects	Limits / Comments
Non-Variable Remuneration	Established in consideration of the responsibilities of the Executive Directors, ensuring that it is competitive with those of Repsol's peers.	2013 remuneration is maintained
Short-Term (Annual) Variable Remuneration	The purpose of the annual variable remuneration is to provide incentive for fulfilling pre-set, specific, quantifiable objectives included in the Strategic Plan. In the Chairman/CEO's case 70% is calculated according to the degree of meeting quantitative business objectives and 30% is based on qualitative objectives regarding Strategy and Reputation, in respect of which the Nomination and Compensation Committee exercises its discretion.	Maximums: Chairman/CEO: 45% of Non-Variable Remuneration General Counsel: 90% of Non-Variable Remuneration
Long-Term Variable Remuneration	The long-term variable remuneration is intended to strengthen Executive Directors' commitment to the Company. It is calculated over a 4-year period, linked to the objectives of sustained maximizing of Repsol's value.	Maximums: Chairman/CEO: 76% of Non-Variable Remuneration General Counsel: 100% of Non-Variable Remuneration
Welfare Schemes	At the express request of the Chairman/CEO, the commitment undertaken by Repsol S.A. to make contributions to his pension scheme terminated as of 12 March 2013, so the Company has not made any additional contributions since that date. The General Counsel participates in a deferred remuneration scheme, the "Permanence Reward", which will be payable on his retirement and in other assimilated situations.	General Counsel: 20% of Non-Variable Remuneration in Permanence Reward and 7 thousand euros a year as contribution to the general pension scheme
Payment in Kind	The payments in kind include, among other items, medical insurance, life and disability assurance, payments on account, etc.	In line with the general policy for the Senior Executives

The following graphs show the remuneration mix of the Chairman/CEO and General Counsel.





The pay package for Executive Directors is variable depending on the results obtained by Repsol. The remuneration may vary between 0% (if overall fulfilment does not rise above a minimum threshold) and a maximum of 121% of the non-variable remuneration for the Chairman/CEO (45% for the short-term variable remuneration and 76% for the long-term variable remuneration) and for the General Counsel a maximum of 190% of the non-variable remuneration (90% for the short-term variable remuneration and 100% for the long-term variable remuneration).

As part of the Executive Directors' remuneration policy review process, the Nomination and Compensation Committee has benchmarked the pay level of the Chairman/CEO. In accordance with counselling received from Towers Watson, it made a quantitative analysis of the CEO position for two comparative groups: IBEX35 and FTSE EuroTop100 (hereinafter EuroTop100). The criteria followed for screening these samples were:

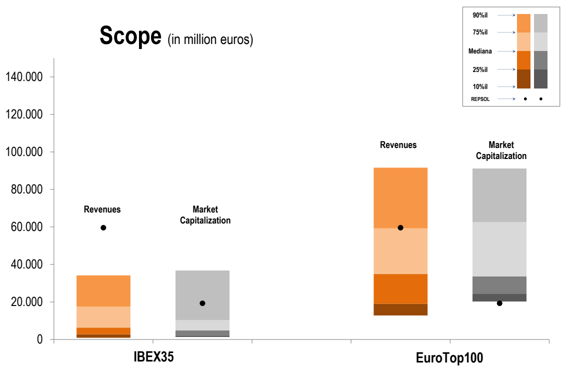
- Objectiveness: two pre-established stock indexes were chosen, which are benchmarks in remuneration terms that are important for Repsol (Spain and Europe).

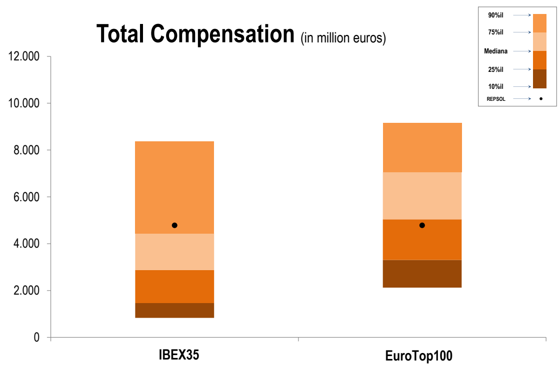
- Sufficient number of companies for the resulting statistics to be sound and representative:

    - IBEX35 is made up of the 35 companies with the highest liquidity quoted in the *Sistema de Interconexión Bursátil Electrónico* (SIBE) [automated trading system] on the four Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia). Repsol is excluded from this group, since it is the subject of comparison, as is Arcelor Mittal, whose Board of Directors is based outside Spain.

    - EuroTop100 is made up of the 100 "blue chip" with the largest market capitalization in Europe. Four companies have been excluded from this index: Repsol, because it is the subject of comparison, H&M, as its CEO receives almost his entire remuneration through dividends or capital gains, and Tenaris and Richemont, on which no information is available.

The following graphs show the positioning of Repsol in respect of the two comparative groups in terms of size (turnover and market capitalization) and in terms of total compensation (non-variable remuneration, annual variable remuneration and long-term incentive):





In comparison with IBEX35, Repsol is above the 90th percentile in turnover and above the 75th percentile in market capitalization. The total compensation of the Chairman/CEO is around the 75th percentile.

In comparison with EuroTop100, Repsol is at the 75th percentile in turnover and around the 10th percentile in market capitalization. The total compensation of the Chairman/CEO is slightly below the median.

2.3. Non-variable remuneration

This includes the non-variable remuneration of Executive Directors for the performance of executive positions and duties. The Nomination and Compensation Committee proposes the amount of this compensation every year, which is approved by the Board of Directors, aiming to attract and retain the best professionals, in line with competitive practices on the market.

2014 Policy

At a meeting held on 25 February 2014 and upon recommendation by the Nomination and Compensation Committee, the Board of Directors resolved to maintain the Executive Directors' non-variable remuneration for 2014 at the same levels as in 2013.

The evolution of the Executive Directors' non-variable remuneration over the past six years is illustrated below:

Year	Increase
2009	0%
2010	0%
2011	2.5%
2012	0%
2013	0%
2014	0%

Application of the policy in 2013

The total amount of the non-variable remuneration paid to the Executive Directors in 2013 was 3,351,000 euros, on a par with 2012.

The non-variable remunerations received by the Chairman/CEO and General Counsel last year are indicated below:

	Non-variable remuneration 2013 in thousand euros
Antonio Brufau	2,368
Luis Suárez de Lezo	983

2.4. Short-Term (Annual) Variable Remuneration

The conditions of the variable remuneration system applicable to the Executive Directors, including the structure, maximum remuneration levels, objectives and metrics established and the weighting attached to each one, are reviewed every year by the Nomination and Compensation Committee, taking account of Repsol's strategy, needs and business situation.

2014 Policy

In 2014 Repsol has implemented an annual variable remuneration plan that assesses the contribution by the Executive Directors to achieving the pre-set, specific, quantifiable objectives related with the Company's Strategic Plan.

The metrics and weightings of each of the categories of objectives proposed by the Nomination and Compensation Committee for this year for the Chairman/CEO's short-term remuneration are described below:

- Quantitative operational and financial objectives, with a weighting of 50% and the following metrics:
    - Net profit
    - Net debt (excluding GNF)
    - Production and Reserve-Replacement Ratio
    - Utilization of conversion capacity
- Quantitative value creation objectives, with a weighting of 10% and the following metrics:
    - Performance of the net profit vs peer companies
- Quantitative Corporate Social Responsibility Objectives, with a weighting of 10% and the following metrics:
    - Lost Time Injury Frequency Rate
    - Sustainability Plan
- Qualitative Strategy and Reputation Objectives, with a weighting of 30% and the following metrics:

- Company's reputation
- Relations with the Board and Committees
- Business Portfolio Management

Each metric is related with a performance level established depending on the variation of the metric and the level of requirement of the objective. Each metric has a minimum performance level under which it does not generate the right to receive variable remuneration and a maximum performance level of 120% and of 150% in the case of the Lost Time Injury Frequency Rate in order to adjust it to the maximum performance level provided for the rest of employees concerning this objective.

It should also be mentioned that according to the terms of contract of the Chairman/CEO, the amounts corresponding to him under the Articles of Association for directorships in the Repsol Group and its participated companies must be deducted from the amount of the annual variable remuneration finally awarded to him.

In the case of the General Counsel, the variable remuneration plan considers the following objectives: (i) Corporate Governance; (ii) Institutional Relations; (iii) Corporate Responsibility; (iv) Asset Management; and (v) Actions related with the expropriation of YPF.

At year-end, the Nomination and Compensation Committee makes an assessment considering the information provided by the ED Strategy and Control and the ED People and Organization on the different categories of objectives and the results obtained. Depending on the level of fulfilment of each objective and its weight, the weighted average level of fulfilment is determined. This system is aimed at promoting the excellent achievement of objectives (100% or above), subject to the payment cap.

The amount of the annual variable remuneration for the Chairman/CEO, which is defined as an objective percentage of his non-variable remuneration, may vary between 0%, if overall fulfilment does not rise above a minimum threshold, and 45% of the non-variable remuneration (maximum level of payment of the annual variable remuneration), if overall fulfilment of the objectives is 100% or higher. The annual variable remuneration for the General Counsel may vary between 0% and 90% of his non-variable remuneration.

Application of the policy in 2013

The categories of objectives proposed by the Nomination and Compensation Committee and approved by the Board of Directors for the Chairman/CEO's annual variable remuneration for 2013 were as follows, with the metrics and weightings indicated:

- Quantitative operational objectives, with a weighting of 55% and the following metrics:
    - Net profit
    - Net debt (excluding GNF)

- Production and Reserve-Replacement Ratio
- Utilization of conversion capacity

- Quantitative Corporate Social Responsibility Objectives, with a weighting of 15% and the following metrics:
  - Lost Time Injury Frequency Rate
  - Sustainability Plan
  - Energy efficiency and CO_{2eq} reduction plan

- Qualitative Strategy and Reputation Objectives, with a weighting of 30% and the following metrics:
  - Company's reputation
  - Relations with the Board and Committees
  - Business Portfolio Management

With regard to the quantitative objectives, the Nomination and Compensation Committee calculated the degree of fulfilment using a mathematical formula, following the pre-established scales of achievement and based on the target values originally set in the Annual Budget 2013, The Company's Sustainability Plan and the Energy Efficiency and CO_{2eq} Reduction Plan.

With regard to the Strategy and Reputation objectives, the metrics of which are more qualitative, the Nomination and Compensation Committee has analysed the different milestones and actions carried out during 2013 in respect of the Company's reputation, relations with the Board of Directors and the Committees and portfolio management, assessing the achievements reached in respect of those matters. It particularly takes account the reputation management, the rewards and recognition obtained by the Company and the Chairman/CEO in 2013, the Chairman/CEO's leadership capacity throughout the year, bolstering the unity of the Board and promoting its central, constructive stance on the development and determination of the Company's strategy, the adequate functioning of the Board and its Committees and regularity in the decision-making processes in those bodies. The Nomination and Compensation Committee has also specifically considered the different operations carried out during the year in portfolio management, one of the basic pillars for achieving the objectives proposed in the Strategic Plan 2012-2016, which included divestments of the order of 4,000-4,500M€. Among other transactions, it considers the sale of 5% of the Company's treasury stock to Temasek, the sale of LNG assets to Shell and the sale of 10% of Transportadora de Gas in Peru, with which the Company achieved the objective established for divestments in the Strategic Plan 2012-2016. The Nomination and Compensation Committee exercises its judgment when determining the degree of achievement of this category of objectives.

Based on the foregoing and applying the specified formulas and scales, the global level of achievement reached by the Chairman/CEO in respect of the fulfilment of objectives established for 2013 was 72%, entitling him to a payment of 767 thousand euros (32.4% of his non-variable remuneration).

Furthermore, as indicated earlier and in accordance with his terms of contract, the amounts corresponding to him under the Articles of Association for directorships in the Repsol Group and its participated companies, which totalled 619 thousand euros[1] in 2013, must be deducted from the total amount of the annual variable remuneration finally awarded to the Chairman/CEO, so the final sum received by the Chairman/CEO in annual variable remuneration was 148 thousand euros.

In the case of the General Counsel, the Nomination and Compensation Committee has considered a level of achievement of objectives in the light of the achievements in respect of the pre-set objectives of 52% in relation to the Company objectives and 100% in relation to his personal performance which results in a global performance level of 66.67%, entitling him to a sum of 590 thousand euros (60% of his non-variable remuneration).

Based on the results mentioned above, the Board of Directors, using its judgment capacity and upon recommendation by the Nomination and Compensation Committee, has resolved to establish the payment level at 32.4% of the incentive for the Chairman/CEO and 60% for the General Counsel, and to pay them the sums indicated below in annual variable remuneration for 2013:

	Annual variable remuneration 2013 in thousand euros
Antonio Brufau	148(*)
Luis Suárez de Lezo	590

(*) The sum of 148 thousand euros was obtained by deducting from the total amount earned by the Chairman/CEO as annual variable remuneration and according to his terms of contract, the amounts corresponding to him under the Articles of Association for directorships in the Repsol Group and its participated companies, which totalled 619 thousand euros (which amount includes the sums received for being on the boards of directors of Repsol, S.A. and Gas Natural SDG, S.A.) so the final sum received by the Chairman/CEO in annual variable remuneration was that indicated in the above table.

2.5. Multi-year variable remuneration

2014 Policy

One of the principles of Repsol's remuneration policy is to seek the reciprocal generation of value for employees, the Group and shareholders. Accordingly, it has traditionally established long-term variable remuneration plans aligning the long-term interests of the shareholders and the Company, through incentives for the Executive Directors and Senior Executives.

The Company currently has several long-term incentive plans for all its executives, including the Executive Directors.

[1] This amount includes the sums received for being on the boards of directors of Repsol, S.A. and Gas Natural SDG, S.A.

These programmes are independent of one another, but their main characteristics are the same. In all cases they are specific multi-year remuneration schemes for the years contemplated in each one. Each scheme is linked to the fulfilment of a number of strategic commitments and objectives established in the Group's Strategic Plan in place from time to time and are directly aligned with shareholders' interests.

The incentive is measured over a four-year period and is conditional upon the Executives Directors remaining in the Company until the end of the period and achieving the medium-term categories of objectives indicated below:

- Exploration and Production
- Downstream
- Optimization and financial discipline
- Value creation

The Nomination and Compensation Committee defines the weightings of these objectives every year and the associated target levels, taking account of the Repsol strategy, its needs and business situation.

The Nomination and Compensation Committee assesses the Chairman/CEO's level of achievement of his multi-year variable remuneration programme according to the overall level of achievement of the programme. In respect of the General Counsel, in addition to the overall level of achievement of the programme in question, the Nomination and Compensation Committee also takes account of his personal performance.

The Medium-Term Incentive Programme (MTI) in place in 2014 corresponds to MTI 2014-2017. The weightings and metrics of the objectives are indicated below (the weightings have been adjusted due to the change on the perimeter resulting from the expropriation of YPF):

- Upstream objectives, with a weighting of 45% in the total incentive and the following metrics:
    - Reserve-Replacement Ratio
    - Increase in production
    - Exploratory success rate
    - Execution of projects
    - Operating margin per barrel

- Downstream objectives, with a weighting of 25% in the total incentive and the following metrics:
    - Integrated refining and marketing margin of Repsol in respect of the sector
    - Free Cash-Flow after tax

- Value creation and financial discipline objectives, with a weighting of 20% in the total incentive and the following metrics:

    - Recurring net profit (excl. any variation in stock value)
    - Cash generated for dividends and debt

- Sustainability objectives, with a weighting of 10% in the total incentive and the following metrics:

    - Lost Time Injury Frequency Rate
    - CO_{2eq} emissions reduction plan

Application of the 2013 policy

At year-end 2013 MTI 2011-2014, 2012-2015 and 2013-2016 were in place, with the same characteristics as those mentioned in the 2014 policy.

MTI 2010-2013 closed on 31 December 2013 according to its rules and its beneficiaries will receive the corresponding variable remuneration in the first quarter of 2014, when the fulfilment of its objectives has been assessed.

To determine the degree of fulfilment of the programme's objectives, the Nomination and Compensation Committee has made an assessment based on information supplied by the ED Strategy and Control and ED People and Organization regarding the results obtained in respect of the following pre-established categories of objectives:

- Growth objectives in Upstream, with a weighting of 35% in the total incentive and the following metrics:

    - Reserve-Replacement Ratio
    - Increase in production
    - Exploratory success rate
    - Execution of projects

- Downstream objectives, with a weighting of 24% in the total incentive, with the following metrics:

    - Start-up and cost of the Cartagena Project according to plan
    - Start-up and cost of the Bilbao Project according to plan
    - Raising of margin Cartagena and Bilbao
    - Repsol Refining and Marketing margin in respect of sector

- Optimization and financial discipline objectives, with a weighting of 18% in the total incentive, with the following metrics:

  - Ratio of operating and financial cash flow to investments excl. GNF
  - Operations enhancement and savings programme
  - Improvement of credit rating

- Value creation objectives, with a weighting of 23% in the total incentive, with the following metrics:

  - Net profit

The Nomination and Compensation Committee calculates the degree of achievement of the above-mentioned objectives using a mathematical formula, following the achievement scales determined in advance and based on the objective values defined at the outset. The Commission has established the level of overall fulfilment of the objectives of the Medium-Term Remuneration Programme 2010-2013 at 75.56%.

As mentioned earlier, the Nomination and Compensation Committee assesses the Chairman/CEO's level of achievement of the objectives of the multi-year variable remuneration programmes according to their overall level of achievement. Accordingly, that level of achievement for the programme MTI 2010-2013 is 75.56%, entitling him to a sum of 1,360 thousand euros (57.4% of his non-variable remuneration).

The following table shows the achievements in each of the metrics and the associated incentive paid to the Chairman/CEO:

Metrics	Weighting	Maximum Incentive (% of NVR)	Level of Fulfilment Achieved	Level of Payment of Incentive
Growth in Exploration and Production	35%	27%	26.20%	74%
Downstream	24%	18%	19.94%	85%
Optimization and financial discipline	18%	13%	11.76%	67%
Value creation	23%	18%	17.65%	75%
Total	100%	76%	75.55%	75.56%[1]

With regard to the General Counsel, his cap for the IMP Programme 2010-2013 is 73% of his current non-variable remuneration. As regards the overall level of achievement of the programme MTI 2010-2013, the Nomination and Compensation Committee also takes account of his personal performance, applying a mathematical formula, so for the programme MTI 2010-2013, the amount to be received

[1] Weighted average.

by the General Counsel corresponds to 67.16% of his maximum limit, which entitles him to a sum of 483 thousand euros (49.14% of his current non-variable remuneration).

In line with the foregoing, the Committee proposed to the Board of Directors the amounts for the multi-year variable remunerations for the Chairman/CEO and the General Counsel indicated in the following table, which were passed by the Board of Directors at its meeting of 25 February 2014:

	Multi-year variable remuneration 2013 in thousand euros
Antonio Brufau	1,360
Luis Suárez de Lezo	483

2.6. Loyalty Incentive Scheme

The Company has implemented a Loyalty Incentive Scheme for certain groups of employees, including the Executive Directors, designed to foster the alignment of their long-term interests with those of the shareholders and the Company.

This Loyalty Incentive Scheme is structured through a stock purchase plan with several cycles approved at the General Shareholders' Meeting held on 15 April 2011, which allows its beneficiaries to invest a maximum sum in Repsol shares, such that if they hold the shares for a period of three years and fulfil the other conditions of the Plan, at the end of that period the Company will give them an additional share for every three shares originally acquired.

In order to simplify the structuring of the Loyalty Incentive Scheme exclusively in respect of determining its beneficiaries and the maximum amount they are entitled to invest, it refers to the multi-year variable remuneration MTI programmes, such that only the beneficiaries of the multi-year variable remuneration MTI programmes may be beneficiaries of the Loyalty Incentive Scheme and the maximum amount that may be invested in the Loyalty Incentive Scheme is equivalent to 50% of the gross amount of the multi-year incentive received by each beneficiary.

As proof of their commitment to the Company and shareholders' interests, both the Chairman/CEO and the General Counsel have joined the 2011–2014, 2012–2015 and 2013-2016 cycles of the Scheme, buying the number of shares indicated below, as reported to the National Securities Market Commission (CNMV):

	2011-2014 Cycle	**2012-2015 Cycle**	**2013-2016 Cycle**
Chairman/CEO	31,981	24,461	16,467
General Counsel	6,373	12,230	1,646

2.7. Long-Term Saving Systems

2014 Policy

At the express request of the Chairman/CEO, the commitment undertaken by Repsol S.A. to make contributions to his pension scheme terminated in 2013.

The General Counsel participates in a deferred remuneration scheme, the “Permanence Reward”, which is intended to reward him for remaining in the Repsol Group. It is structured through the investment fund called “*Fondo de Permanencia, FI*”. Repsol makes annual contributions to the fund in a sum equal to 20% of the General Counsel’s annual non-variable remuneration and in exchange receives units in the Fund. Those units are owned by Repsol until the General Counsel retires, whereupon the vested right will be transferred to him, together with the title over the units. He will also be entitled to the cumulative amount of the Permanence Reward upon termination of his contract, in cases entitling him to compensation, and on reaching the age of 62.

The General Counsel is also unit-holder of a defined contribution company pension scheme of Repsol, the maximum contribution to which is set by collective agreement at 7 thousand euros a year.

Application of the policy in 2013

As mentioned earlier, at the express request of the Chairman/CEO, the Company stopped making contributions to his pension scheme as of 12 March 2013, whereupon Repsol’s commitment to make contributions to a welfare scheme covering his retirement expired.

Consequently, the cost incurred by the Company for contributions to pension schemes and welfare schemes of the Executive Directors, including as the case may be any payments on account, totalled 697 thousand euros in 2013, corresponding to the following items: in the case of the Chairman/CEO, 494 thousand euros in contributions to the pension scheme and cost of retirement insurance; in the case of the General Counsel, 7 thousand euros in contributions to the pension scheme and cost of retirement insurance and 196 thousand euros in contributions to the Permanence Reward.

2.8. Other benefits

The Executive Directors are also entitled to certain benefits in kind including, among others, life and disability assurance and medical insurance. Payments on account/withholdings linked to these are also included among other benefits.

The 2013 expense corresponding to benefits in kind enjoyed by the Executive Directors amounts to 410 thousand euros for the Chairman/CEO and 100 thousand euros for the General Counsel.

The Company does not grant the Executive Directors any advances, loans or guarantees.

The Executive Directors receive also an additional non-variable remuneration for directorships in other Group, multi-group or associated companies that in the case of the Chairman/CEO is deducted from the amount of his annual variable remuneration as indicated previously. In this regard, the Chairman/CEO and General Counsel received the following amounts in 2013 as directors of Gas Natural SDG, S.A.:

	Remuneration as Director of Gas Natural SDG, S.A. (thousand euros)
Antonio Brufau	266
Luis Suárez de Lezo	139

2.9. Terms of contract of the Executive Directors

The contract regulating performance of the duties and responsibilities of the Executive Directors is commercial and includes the clauses normally found in this type of contracts, aiming to attract and retain the best professionals.

The principal terms of these contracts are indicated below:

2.9.1. Exclusive dedication and no competition

The contracts signed with the Executive Directors are non-term and establish a no competition obligation. This means that for a period of one year after expiry or termination of the corresponding contract the Executive Director may not render his services in companies of a similar nature to Repsol.

The contracts also establish a no competition obligation in respect of companies and activities of a similar nature throughout the Executive Directors' relationship with the company.

In consideration for this commitment, the Executive Directors are granted an economic compensation equivalent to one year's total annual compensation to which they are entitled at the time of termination.

Finally, the contracts signed by the Executive Directors declare their employment relationship compatible with the performance of representative, administrative and management duties and any other professional situations that may arise in other group, multi-group or associated companies.

2.9.2. Termination

As mentioned in the Annual Report on the Remuneration Policy for Repsol Directors 2013, the Nomination and Compensation Committee and the Board of Directors of the Company are aware of and sensitive to the evolution of corporate governance practices and undertook to analyse the stance to be taken by Repsol in respect of compensations and, in particular, as regards the limitation of termination payments to Executive Directors. Thus, in 2013 the Company conducted an engagement process with its most significant investors and proxy advisors, including a Road-Show specifically addressing issues concerned with safety and environment, corporate social responsibility and corporate governance (ESG - *Environmental, Social and Governance*) led by the Chairman/CEO, who wanted to get a first-hand insight into the concerns and expectations of our shareholders in matters related with these issues and, in particular, with remuneration.

As a result of the reflection process made by the Company, the exhaustive analysis of the voting recommendations and policies of the different investors and proxy advisors and considering also the expectations detected during the engagement process, as well as the Recommendation of the European Commission 2009/385/EC of 30 April 2009, on 25 February 2014 the Board of Directors resolved, upon recommendation by the Nomination and Compensation Committee, to modify its policy limiting termination payments. Consequently, all contracts signed with new Executive Directors will have a limit termination payment to the equivalent of two years' compensation, including within said limit compensation for the no competition clause.

This notwithstanding, the Nomination and Compensation Committee and the Board of Directors of the Company continue to analyse all novelties and trends in corporate governance issues with a view to keeping Repsol in line with the evolution of market practices in this regard.

The particular case of the existing contracts of the Chairman/CEO and General Counsel, which were signed prior to application of the new policy, corresponds, therefore, to personal, professional and market circumstances prevailing when those contracts were signed, in 2004 and 2005, respectively. In the event of termination of these contracts, a deferred economic compensation is established equivalent to three years' total annual monetary remuneration, if the contract is terminated on grounds attributable to Repsol, by mutual agreement or, for the General Counsel, upon the occurrence of objective circumstances, such as a significant change of ownership of the Company's capital. Both contracts were approved in due course by the Board of Directors, based on a favourable report by the Nomination and Compensation Committee, which, after analysing the market practices prevailing at that time and obtaining external advice from independent experts, submitted the respective proposed terms of contract to the Board.

3. COMPENSATION OF NON-EXECUTIVE DIRECTORS

The remuneration policy established by the Nomination and Compensation Committee for Non-Executive, or Outside, Directors aims to provide them with adequate, sufficient remuneration for their devotion, qualifications and responsibilities, without compromising their independence.

The Nomination and Compensation Committee is responsible for proposing to the Board of Directors the criteria it considers appropriate for compensating Directors for their collegiate supervisory and decision-making duties. The Board of Directors then decides on the exact sum payable and how it is to be distributed among the Directors, taking account of the positions held by each one on the Board and its Committees.

On 31 May 2013 the General Shareholders' Meeting resolved, at the Board's proposal, to change the methods for establishing the maximum amount that the Company may set aside each year to remunerate the members of the Board of Directors for their collegiate supervisory and decision-making duties. At present, that limit is a fixed amount of six million euros. Repsol thus keeps in step with the best market practices and Directors' compensation for their non-executive duties are no longer linked to the Company's results.

2014 Policy

Directors receive a non-variable remuneration for their collegiate supervisory and decision-making duties. This remuneration is calculated by assigning points for sitting on the Board of Directors or its different Committees.

The points table is as follows:

Body	Points
Board of Directors	2
Delegate Committee	2
Audit and Control Committee	1
Nomination and Compensation Committee	0.5
Strategy, Investment and Corporate Social Responsibility Committee	0.5

Each point has an equivalent remuneration, so the different amounts payable to each Director are based on their individual qualification, devotion and responsibilities.

Outside Directors are in any case excluded from the welfare schemes financed by the Company covering events of removal, death or any others, and from the incentive schemes linked to the

Company's short or long-term performance, such as the multi-year monetary incentive, shares or stock options.

On 25 February 2014 the Board of Directors resolved, upon recommendation by the Nomination and Compensation Committee, to maintain the value of the point in 2014 at the amount set for 2013, i.e. 88,297.11 euros gross/year.

The evolution of the value of points over the past six years is shown below:

Year	Increase
2009	0%
2010	0%
2011	2.5%
2012	0%
2013	0%
2014	0%

Application of the policy in 2013

On 27 February 2013 the Board of Directors resolved, upon recommendation by the Nomination and Compensation Committee, to maintain the value of the point in 2013 at the amount set for 2012, i.e. 88,297.11 euros gross/year.

The total amount of Directors' compensation for non-executive duties was 5,040 thousand euros in 2013.

The allocations per Director are shown individually in the Individual Compensation Tables.

4. INDIVIDUAL COMPENSATION TABLES

4.2. Remuneration of Executive Directors in 2013

A summary of the total gross compensations received by the Executive Directors in 2013 is set out below:

Remunerations of Executive Directors in 2013						
Directors	**Non-variable remuneration**	**Annual variable remuneration**	**Compensation for Director Duties[1]**	**Long-Term Variable Remuneration[2]**	**Total 2013**	**Total 2012**
Antonio Brufau	2,368	148	619	1,360	4,495	4,794
Luis Suárez de Lezo	983	590	492	483	2,548	2,795

(thousand euros)

1 Compensation for Director Duties: includes the fixed sum payable for the positions held on the Board and Committees of Repsol S.A. and Gas Natural SDG, S.A. that in the case of the Chairman/CEO are deducted from his annual variable remuneration.

2 Long-Term Variable Remuneration: includes the sum payable under the Medium-Term Remuneration Programme 2010-2013.

The shares acquired by each Executive Director under the current Loyalty Investment Scheme are shown below. If they hold the shares for three years and the other conditions of the Scheme are fulfilled, they will be delivered shares at a rate of one share for every three shares originally bought:

	Number of shares acquired by the Executive Directors		
Directors	**2011-2014 Cycle**	**2012-2015 Cycle**	**2013-2016 Cycle**
Antonio Brufau	31,981	24,461	16,467
Luis Suárez de Lezo	6,373	12,230	1,646

Moreover, as mentioned in the Remuneration Policy section, the Executive Directors are entitled to a number of **Welfare Benefits**. The cost incurred by the Company for the contributions made in 2013 to long-term saving for the benefit of the Directors to compensate their executive duties, and any other payments in kind received by the Directors during the year are shown below:

Directors	Contributions to Pension Schemes	Contributions to the Group Savings Insurance[1]	Payments in Kind[2]	Total 2013	Total 2012
Antonio Brufau	494	-	410	904	2,838
Luis Suárez de Lezo	7	196	100	303	303

(en miles de euros)

*1 **Contributions to deferred remuneration**, Permanence Reward, financed by the Company exclusively for the General Counsel, entailing a defined contribution equivalent to 20% of the annual non-variable remuneration of the Executive Director.*
*2 **Payments in kind** include, among others, life and disability assurance, medical insurance. Payments on account/withholdings linked to these are also included among other benefits.*

4.3. Directors' compensation for all their duties as such for 2013

The amounts received individually by the Directors last year for their duties as directors –also indicating their compensations as Executive Directors– and as members of the different Committees of the Board, are as follows:

Director	Fixed Allocation	Attendance Fees	Remuneration for being on Committees of the Board	Other items	TOTAL 2013
Executive					
Antonio Brufau Niubó (1)	177	-	177	-	353
Luis Suárez de Lezo Mantilla	177	-	177	-	353
Institutional					
Isidro Fainé Casas	177	-	177	-	353
Juan Abelló Gallo (2)	29	-	37	-	66
Manuel Manrique Cecilia (3)	132	-	132	-	264
Rene Dahan (4)	118	-	118	-	236
José Manuel Loureda Mantiñán	177	-	88	-	265
Juan María Nin Génova	177	-	88	-	265
Pemex Internacional España, S.A	177	-	221	-	398
Outside					
Ángel Durández Adeva	177	-	88	-	265
Artur Carulla Font	177	-	221	-	398
Luis Carlos Croissier Batista (5)	177	-	103	-	280
Paulina Beato Blanco	177	-	88	-	265
Javier Echenique Landiribar	177	-	265	-	442
Mario Fernández Pelaz	177	-	44	-	221
María Isabel Gabarró Miquel	177	-	88	-	265
Henri Philippe Reichstul	177	-	177	-	353

(thousand euros)

(1) These amounts received by Mr Brufau are deducted from his annual variable remuneration.
(2) Mr Abelló stepped down as Director as of 6 March 2013.
(3) Mr Manrique was appointed Director of the Company on 25 April 2013.
(4) Mr Dahan was appointed Director of the Company on 31 May 2013.
(5) Mr Croissier was appointed member of the Audit and Control Committee on 31 May 2013.

The following table gives a breakdown of the amounts received by the Directors as compensation for directorships in other group, multi-group or associated companies representing Repsol:

Director	Fixed Allocation	Attendance Fees	Remuneration for being on Committees of the Board	Other items	TOTAL 2013
Executive					
Antonio Brufau Niubó[*]	--	--	266	--	266
Luis Suárez de Lezo	--	--	139	--	139
Institutional					
Isidro Fainé Casas	--	--	--	--	--
Juan Abelló Gallo	--	--	--	--	--
Manuel Manrique Cecilia	--	--	--	--	--
Rene Dahan	--	--	--	--	--
José Manuel Loureda Mantiñán	--	--	--	--	--
Juan María Nin Génova	--	--	--	--	--
Pemex Internacional España, S.A	--	--	--	--	--
Outside					
Ángel Durández Adeva	--	--	--	--	--
Artur Carulla Font	--	--	--	--	--
Luis Carlos Croissier Batista	--	--	--	--	--
Paulina Beato Blanco	--	--	--	--	--
Javier Echenique Landiribar	--	--	--	--	--
Mario Fernández Pelaz	--	--	--	--	--
María Isabel Gabarró Miquel	--	--	--	--	--
Henri Philippe Reichstul	--	--	--	--	--

(thousand euros)

* The amounts received for this item are deducted from his annual variable remuneration

The following table shows the breakdown of total remuneration received by the Directors:

Director	Salary[1]	Non-Variable Remuneration[2]	Att. Fees[3]	Short-term Variable Remuneration[4]	Long- term Variable Remuneration[5]	Remuneration for being on Committees[6]	Severance pay[7]	Other Items[8]	Total 2012	Total 2013
Executive										
Antonio Brufau Niubó	2,368	177	--	148	1,360	177	--	676	5,165	4,905
Luis Suárez de Lezo Mantilla	983	177	--	590	483	177	--	239	2,894	2,648
Institutional										
Isidro Fainé Casas	--	177	--	--	--	177	--	--	353	353
Juan Abelló Gallo (1)	--	29	--	--	--	37	--	--	397	66
Manuel Manrique Cecilia (2)	--	132	--	--	--	132	--	--	--	265
Rene Dahan (3)	--	118	--	--	--	118	--	--	--	235
José Manuel Loureda Mantiñán	--	177	--	--	--	88	--	--	265	265
Juan María Nin Génova	--	177	--	--	--	88	--	--	265	265
Pemex Internacional España, S.A	--	177	--	--	--	221	--	--	397	397
Outside										
Ángel Durández Adeva	--	177	--	--	--	88	--	--	265	265
Artur Carulla Font	--	177	--	--	--	221	--	--	397	397

Luis Carlos Croissier Batista (4)	--	177	--	--	--	103	--	--	221	280
Paulina Beato Blanco	--	177	--	--	--	88	--	--	265	265
Javier Echenique Landiribar	--	177	--	--	--	265	--	--	441	441
Mario Fernández Pelaz	--	177	--	--	--	44	--	--	221	221
María Isabel Gabarró Miquel	--	177	--	--	--	88	--	--	265	265
Henri Philippe Reichstul	--	177	--	--	--	177	--	--	353	353

(thousand euros)

(1) Mr Abelló stepped down as Director as of 6 March 2013.
(2) Mr Manrique was appointed Director of the Company on 25 April 2013.
(3) Mr Dahan was appointed Director of the Company on 31 May 2013.
(4) Mr Croissier was appointed member of the Audit and Control Committee on 31 May 2013.

1 Salary: Compensation in cash, with a pre-established frequency of payment, which may or may not be cumulative over time, paid by the Company for the mere fact of being hired by it, regardless of actual attendance by the Director of Board meetings in Repsol, S.A.
2 Non-Variable Remuneration: Amount of the compensation in cash earned by the Director for being on the Board of Directors of Repsol S.A.
3 Attendance Fees: Total amount of attendance fees for meetings of the Board and, where appropriate, Committees.
4 Short-term Variable Remuneration: Variable amount conditional upon performance or the achievement of objectives (quantitative and qualitative) in an accrual period equal to or less than one year. The accrual period is the time over which the director's performance is measured in order to determine his short-term variable remuneration. In the case of Mr Brufau, the amounts received for being on the Boards and Committees of Repsol S.A. and Gas Natural SDG, S.A. have been deducted from his annual variable remuneration.
5 Long-term Variable Remuneration: Variable amount conditional upon performance or the achievement of objectives (quantitative or qualitative) in an accrual period of more than one year. The accrual period is the time over which the director's performance is measured in order to determine his long-term variable remuneration.
6 Remuneration for being on Committees: Compensation other than attendance fees payable to the directors for belonging to the delegated or advisory committees of the Board.
7 Severance pay: Any compensation payable to the director deriving from termination of his relationship with the Company.
8 Other Items: Total amount of the remaining compensations accrued during the year and not contemplated in any of the other items, including payment in kind and the remuneration received by Mr. Brufau and Mr. Suárez de Lezo as members of the Board of Gas Natural SDG, S.A..

5. Annex: Circular 4/2013

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS IN PUBLICLY TRADED COMPANIES

ISSUER IDENTIFICATION

YEAR ENDING 2013

TAX ID NO: A-78374725

Registered Name:

REPSOL, S.A.

Registered Address:

CALLE MÉNDEZ ÁLVARO, 44 28045 MADRID

The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

ANNUAL REPORT ON THE REMUNERATION OF DIRECTOS IN PUBLICLY TRADED COMPANIES

A CORPORATE REMUNERATION POLICY FOR THE CURRENT YEAR

A.1 Explain the corporate remuneration policy. This section will include information on:

- General principles and foundations of the remuneration policy.
- Most significant changes in the remuneration policy applied during the previous year and changes made during the year to the conditions for the exercise of previously awarded options.
- Criteria used to establish the corporate remuneration policy.
- Relative importance of variable remuneration items in comparison to fixed items and the criteria used to determine the components of the directors' remuneration package (remuneration mix).

Explain the remuneration policy
The principles and criteria of the remuneration policy for directors are reviewed permanently by the Nomination and Compensation Committee (NCC) and the Board of Directors (BoD) to keep the Company's remuneration policy in line with the best practices and international trends. The most characteristic principle of Repsol's remuneration policy is the search for reciprocal generation of value for employees and the Group and the long-term alignment with shareholders' interests, while guaranteeing transparency in its remuneration policy. The Executive Directors' compensation for their executive duties follows the principles explained below: a) Ensure that the structure and overall amount of the compensation complies with the best practices and is competitive in relation to comparable companies, to thus attract, retain and motivate the best professionals. b) Establish compensation based on objective criteria related with the individual performance of the Executive Directors and achievement of the Company's and Group's business goals. c) Maintain an annual variable component conditional upon the fulfilment of specific, quantifiable objectives aligned with corporate interests, with control and measurement systems to determine the variable remuneration to be received based on assessments measuring individual performance and the personal contribution by the Executive Director to achievement of the company's goals. d) Incorporate multi-year medium/long-term variable remuneration to encourage the sustained achievement of goals and to retain key persons linked to those goals. e) Maintain an adequate balance among the different components of the pay package, in line with the best practices worldwide. f) Ensure alignment with shareholders' interests by encouraging the holding of shares. g) Keep the remuneration policy of the Executive Directors in line with that of the Senior Executives. Directors' compensation for their supervisory and decision-making duties as a body corporate is based on the following principles:

a) The remuneration must be sufficient and adequate to reward the Directors' devotion, qualification and responsibilities, without compromising their independent judgment.
b) The remuneration must be on a par with that paid elsewhere in the market. To ensure this, the directors' compensations established in other Spanish and European listed business groups with a similar size, business and operating complexity and geographical distribution of assets to those of Repsol are taken into account.

The most relevant changes in the remuneration policy are the following:

a) A ceiling of 6 million euros was set by the General Shareholders' Meeting for Directors' compensation for the performance of their supervisory and decision-making duties: Amendment of art. 45 of the Bylaws in order to substitute the former remuneration system based on the participation in the net profit for a system consisting of a fixed annual sum to be determined by the General Meeting. Further to the resolution passed by the General Meeting on May 31, 2013 the annual ceiling to remunerate said duties of the Directors is 6 million euros having the Board the power to decide on the exact sum to be paid within that limit and how it is to be distributed among the Directors, taking account of the positions they hold and their participation in the different Committees.
b) At the express request of the Chairman/CEO, termination as of 12 March 2013 of the commitment undertaken by Repsol S.A. to make contributions to a pension scheme, so the Company has not made any additional contributions since that date.
c) Reduction of the total remuneration received by the Chairman/CEO in 2013 in respect of that of 2012.
d) In line with the undertaking by the Board of Directors and the Nomination and Compensation Committee indicated in the Remuneration Report 2012, severance pay has been limited to two years' remuneration for any new Executive Directors that may be appointed in the future.
e) Greater transparency in the breakdown of short and long-term variable remuneration schemes, indicating the objectives, metrics, weightings and limits for Executive Directors and elaboration of a voluntary remuneration report to facilitate shareholders a comprehensive understanding of the information.

When establishing the remuneration policy, the Board, further to the Committee's proposal, considers: (i) the provisions of the Bylaws and the Board of Directors Regulations; (ii) the objectives of the Strategic Plan which enable, among others, to establish the metrics to which the variable remuneration is linked; and (iv) market data. For more information please see Section A.2.

As regards the remuneration mix, Directors' compensation for their duties as such consists entirely of non-variable components. The pay package of Executive Directors consists of one non-variable component, one short-term variable component and one long-term variable component in cash.

If the objectives to which the variable remuneration is tied are not achieved, the Executive Directors only receive the non-variable remuneration.

In a target scenario with regard to the achievement of objectives, the non-variable remuneration for the Chairman/CEO would account for approximately 50% of the total remuneration (non-variable, annual variable and long-term variable) and the variable remuneration 50% (the short-term component accounting for 44% and the long-term component 56% of the total variable remuneration). For the General Counsel the non-variable remuneration would account for 38% and the variable remuneration 62%; of the latter, 55% would be short-term and 45% long-term.

In a maximum scenario of achievement, the total variable remuneration would represent 55% of the total remuneration for the Chairman/CEO and 66% of the total remuneration for the General Counsel.

A.2 Information on the preparatory work and decision-making process followed to determine the remuneration policy and role, if any, performed by the remuneration committee and other supervisory bodies in shaping the remuneration policy. This information will include, where appropriate, the mandate given to the remuneration committee, its composition and the identity of the external consultants whose services have been used to define the remuneration policy. Also describe the character of the directors, if any, who have been involved in the definition of the remuneration policy.

Explain the process for determining the remuneration policy

Preparatory work and decision-making process:

As part of the Executive Directors' remuneration policy review process, the Nomination and Compensation Committee has benchmarked the pay level of the Chairman/CEO. In accordance with counselling received from Towers Watson, it made a quantitative analysis of the CEO position for two comparative groups: IBEX35 and FTSE EuroTop100 (hereinafter EuroTop100). The criteria followed for screening these samples were:

a) Objectiveness: two pre-established stock indexes were chosen, which are benchmarks in remuneration terms that are important for Repsol (Spain and Europe).
b)Sufficient number of companies for the resulting statistics to be sound and representative: b.1) IBEX35 is made up of the 35 companies with the highest liquidity quoted in the *Sistema de Interconexión Bursátil Electrónico* (SIBE) [automated trading system] on the four Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia). Repsol is excluded from this group, since it is the subject of comparison, as is Arcelor Mittal, whose Board of Directors is based outside Spain; b.2) EuroTop100 is made up of the 100 "blue chip" with the largest market capitalization in Europe. Four companies have been excluded from this index: Repsol, because it is the subject of comparison, H&M, as its CEO receives almost his entire remuneration through dividends or capital gains, and Tenaris and Richemont, on which there is no available information.

In comparison with IBEX35, Repsol is above the 90th percentile in turnover and above the 75th percentile in market capitalization. The total compensation of the Chairman/CEO is around the 75th percentile.

In comparison with EuroTop100, Repsol is at the 75th percentile in turnover and around the 10th percentile in market capitalization. The total compensation of the Chairman/CEO is slightly below the median.

Mandate given to the remuneration committee:

The duties of the Board of Directors of Repsol and its Nomination and Compensation

Committee regarding remuneration are regulated in the Bylaws (Art. 45 bis) and the Regulations of the Board of Directors (arts. 5 and 33).

During 2013, the Nomination and Compensation Committee met on 5 occasions, with an attendance rate of 100%. At those meetings, the Committee debated, among others, on the following aspects:

a) Review of the current remuneration system to determine its suitability in respect of common market practices.
b) Setting of targets for the annual variable remuneration scheme.
c) Approval of 2013 Executive Directors' non-variable remuneration for their executive duties.
d) Approval of 2013 Directors' remuneration for their supervisory and collegiate duties.
e) Assessment of the fulfilment of targets established in the multi-year variable remuneration programme MTI 2009-2012.
f) Launching of the new multi-year variable remuneration programme MTI* 2013-2016.
g) Approval of the Annual Report on Remunerations 2012.

At the date of publication of this report, the Nomination and Compensation Committee has met twice to discuss the following aspect, among others:

a) Assessment and approval of the Executive Directors' annual variable remuneration for the results achieved in 2013.
b) Assessment of the degree to which the Executive Directors met the targets established in the multi-year variable remuneration programme MTI 2010-2013 for the results achieved over these four years.
c) Approval of 2014 Executive Directors' non-variable remuneration for their executive duties.
d) Approval of 2014 Directors' remuneration for their supervisory and collegiate duties.
e) Approve the launching of the new multi-year variable remuneration programme MTI 2014-2017.
f) Approve this Annual Report on Remuneration.

Composition of the remuneration committee:

According to the Articles of Association and the Regulations of the Board of Directors, all the members of the Nomination and Compensation Committee are Outside or Non-Executive Directors, three (3) of whom are Independent and the other two (2) Institutional. All the Committee members have extensive experience and expertise in the duties to be performed.

At December 31, 2013, the composition of the Nomination and Compensation Committee is as follows:
Artur Carulla Font, Chairman, Independent
Mario Fernández Pelaz, Member, Independent
María Isabel Gabarró Miquel, Member, Independent
José Manuel Loureda Mantiñán, Member, Institutional
Juan María Nin Génova, Member, Institutional

In 2013, Towers Watson, independent advisers specialising in director and senior executive compensation, has counselled the Nomination and Compensation Committee on the preparation of this compensation and remuneration policy report and on the preparation of benchmarking for the Chairman/CEO's remuneration.

A.3 Indicate the amount and nature of the fixed components, with a breakdown where necessary, of the remuneration for the performance of senior management functions by the executive directors, the additional remuneration as chairman or member of any board committee, per diem payments for participation in the board and its committees and other fixed payments for the directorship and an estimate of the fixed annual remuneration to which they give rise. Identify other benefits not paid in cash and the basic parameters for which they are given.

Explain the fixed components of the remuneration

Remuneration of Directors for their collegiate supervisory and decision-making duties.

According to Article 45 of the Bylaws and pursuant to the resolution passed by the General Meeting on May 31, 2013 the annual ceiling to remunerate said duties of the Directors is 6 million euros having the Board the power to decide on the exact sum to be paid within that limit and how it is to be distributed among the Directors, taking account of the positions they hold and their participation in the different Committees.

Directors receive a non-variable remuneration for their collegiate supervisory and decision-making duties. This remuneration is calculated by assigning points for sitting on the Board of Directors or its different Committees.

The points table is as follows:

Body	Points
Board of Directors	2
Delegate Committee	2
Audit and Control Committee	1
Nomination and Compensation Committee	0.5
Strategy, Investment and Corporate Social Responsibility Committee	0.5

Each point has an equivalent remuneration, so the different amounts payable to each Director are based on their individual qualification, devotion and responsibilities.

Outside Directors are in any case excluded from the welfare schemes financed by the Company covering events of removal, death or any others, and from the incentive schemes linked to the Company's short or long-term performance, such as the multi-year monetary incentive, shares or stock options.

On 25 February 2014 the Board of Directors resolved, upon recommendation by the Nomination and Compensation Committee, to maintain the value of the point in 2014 at the amount set for 2013, i.e. 88,297.11 euros gross/year.

The evolution of the value of points over the past six years is shown below:

Year	Increase
2009	0%
2010	0%
2011	2.5%
2012	0%
2013	0%
2014	0%

Fix remuneration of the Executive Directors for their executive duties:

The Fix remuneration of the Executive Directors for their executive duties is established in consideration of their responsibilities, ensuring that it is competitive with those of Repsol's peers.

At a meeting held on 25 February 2014 and upon recommendation by the Nomination and Compensation Committee, the Board of Directors resolved to maintain the Executive Directors' non-variable remuneration for 2014 at the same levels as in 2013, i.e., 2,368 thousand euros for the Chairman/CEO and 983 thousand euros for the General Counsel.

The evolution of the Executive Directors' non-variable remuneration over the past six years is illustrated below:

Year	Increase
2009	0%
2010	0%
2011	2.5%
2012	0%
2013	0%
2014	0%

Fix remuneration of the Executive Directors as members of the Board of other companies of the Group:

The Executive Directors may also receive an additional non-variable remuneration for directorships in other Group, multi-group or associated companies. As regards the CEO/Chairman this amount is deducted from his annual variable remuneration.

A.4 Explain the amount, nature and main characteristics of the variable components of the remuneration systems.

In particular:

- Identify each remuneration plan of which directors are beneficiaries, their scope, approval date, implementation date, validity period and main features.

  For share option plans and other financial instruments, the general features of the plan will include information on the conditions for exercising such options or financial instruments for each plan.

- Indicate any payments made under profit-sharing or bonus schemes, and the reason why they were granted.

- Explain the basic parameters and grounds for any annual bonus scheme.

- The types of directors (executive directors, external directors, independent directors or other external directors) that are beneficiaries of remuneration systems or plans that incorporate a variable remuneration.

- The foundations of such variable remuneration systems or plans, the criteria chosen to assess performance as well as the components and assessment methods to determine whether the criteria have been met or not, and an estimate of the total amount of variable remuneration that would result from the current compensation plan, as a function of the degree to which targets or benchmarks have been met.

- Where appropriate, give information on deferral periods or deferral of payment established and/or holdback periods for shares or other financial instruments, if any.

Explain the variable components of the remuneration systems
Pursuant to section A.3 External Directors are excluded from the variable remuneration systems. **1) Annual variable remuneration**: The purpose of the annual variable remuneration is to provide incentive for fulfilling pre-set, specific, quantifiable objectives included in the Strategic Plan. The metrics and weightings of each of the categories of objectives proposed by the Nomination and Compensation Committee for this year for the Chairman/CEO are: a) Operational objectives, with a weighting of 50% and the following metrics: Net profit, Net debt (excluding GNF), Production and Reserve-Replacement Ratio and Utilization of conversion capacity. b) Value creation objectives, with a weighting of 10% and the following metric: Performance of the net profit vs peer companies. c) Sustainability objectives, with a weighting of 10% and the following metrics: Lost Time Injury Frequency Rate and Sustainability Plan. d) Qualitative Strategy and Reputation objectives, with a weighting of 30% and the following metrics: Company's reputation, Relations with the Board and Committees, Business Portfolio Management. Each metric is related with a performance level established depending on the variation of the metric and the level of requirement of the objective. Each metric has a minimum

performance level under which it does not generate the right to receive variable remuneration and a maximum performance level of 120% and in the case of the Lost Time Injury Frequency Rate of 150%.

In the case of the General Counsel, the variable remuneration plan considers the following objectives: (i) Corporate Governance Objectives; (ii) Institutional Relations Objectives; (iii) Corporate Responsibility Objectives; (iv) Asset Management Objectives; and (v) Objectives for actions related with the expropriation of YPF.

After year-end, the Nomination and Compensation Committee makes an assessment considering the information provided by the ED Strategy and Control and the ED People and Organization on the different categories of objectives and the results obtained.

An average weighted fulfilment level is calculated according to the level of fulfilment of each objective and its weighting. The amount of the annual variable remuneration for the Chairman/CEO, which is defined as an objective percentage of his non-variable remuneration, may vary between 0%, if overall fulfilment does not rise above a minimum threshold, and 45% of the non-variable remuneration (maximum level of payment of the annual variable remuneration), if overall fulfilment of the objectives is 100% or higher. The annual variable remuneration for the General Counsel may vary between 0% and 90% of his non-variable remuneration. If the objectives are 100% achieved, the Chairman/CEO will receive an annual incentive of 1,066 thousand euros and the General Counsel 885 thousand euros. The conditions of the system are reviewed every year by the Nomination and Compensation Committee taking account of Repsol's strategy, needs and business situation.

2) Multi-year variable remuneration: The Company has several long-term monetary incentive plans for all its executives, including the Executive Directors (see section A.4.3). The programmes are independent of one another, but their main characteristics are the same. They are specific multi-year remuneration schemes for the years contemplated in each one and each one is linked to the fulfilment of a number of strategic commitments and objectives established in the Strategic Plan in place from time to time, directly aligned with shareholders' interests.

The Medium-Term Incentive (MTI) Programme in place in 2014 corresponds to MTI 2014-2017, the objectives, weightings and metrics of which are: a) Upstream objectives (45% weighting) and metrics of: (i) reserve-replacement ratio; (ii) increase in production; (iii) exploratory success rate; (iv) execution of projects; and (v) operating margin per barrel. b) Downstream objectives (25% weighting) and metrics of: (i) integrated refining and marketing margin of Repsol vs sector; and (ii) free cash-flow after tax. c) Value creation and financial discipline objectives (20% weighting) and metrics of: (i) recurring net profit (excl. any variation in stock value); and (ii) cash generated for dividends and debt. d) Sustainability objectives (10% weighting) and metrics of: (i) Lost Time Injury Frequency Rate; and (ii) CO_{2eq} Emissions Reduction Plan.

The Nomination and Compensation Committee determines every year the weightings of the objectives and associated target levels, taking account of Repsol's strategy and needs. The Nomination and Compensation Committee assesses the Chairman/CEO's level of achievement according to the overall fulfilment of the programme. For the General Counsel, the Nomination and Compensation Committee also considers his personal performance. At 100% fulfilment of the objectives, the Chairman/CEO would receive an incentive equivalent to 1,800 thousand euros and the General Counsel 983

thousand euros. **3) Loyalty Incentive Scheme:** The Company has implemented a Loyalty Incentive Scheme for certain groups of employees, including the Executive Directors, designed to foster the alignment of their long-term interests with those of the shareholders and the Company. This Scheme is structured through a stock purchase plan with several cycles approved at the General Shareholders' Meeting held on April 15, 2011 which allows its beneficiaries to invest a maximum sum in Repsol shares, such that if they hold the shares for a period of 3 years, remain in the Group and meet the other conditions of the Scheme, at the end of that period the Company will give them 1 additional share for every 3 shares originally acquired. To simplify the structuring of the Loyalty Incentive Scheme exclusively in respect of determining its beneficiaries and the maximum amount they are entitled to invest, the multi-year variable remuneration MTI programmes have been taken as reference, such that only the beneficiaries of the multi-year remuneration programmes can be beneficiaries of the loyalty incentive schemes and the maximum amount that may be invested in the Loyalty Incentive Scheme is equivalent to 50% of the gross amount of the multi-year incentive received by each beneficiary.

A.5 Explain the main features of the systems of long-term savings, including retirement and any other survivor benefit, partly or wholly funded by the company, whether endowed internally or externally, with an estimate of their amount or annual equivalent cost, indicating the type of plan, whether defined contribution or defined benefit, the conditions for the vesting of the directors' economic rights and their compatibility with any type of severance payment for early cancellation or termination of the contractual relationship between the company and the director.
Also indicate payments made to any director's defined-benefit pension scheme; or any increase in the director's vested rights when linked to contributions to defined-benefit schemes.

Explain the long-term savings systems
Outside Directors: Outside Directors are in any case excluded from the welfare schemes financed by the Company covering events of removal, death or any others, and from the incentive schemes linked to the Company's short or long-term performance, such as the multi-year monetary incentive, shares or stock options. **Executive Directors:** At present the Company does not make any contribution to its welfare scheme to cover the Chairman/CEO's retirement, as he expressly requested in 2013, Repsol's commitment to make contributions to a welfare scheme covering his retirement expired. The General Counsel participates in a deferred remuneration scheme, the "Permanence Reward", which is intended to reward him for remaining in the Repsol Group. It is structured through the investment fund called "*Fondo de Permanencia, FI*".

Repsol makes annual contributions to the fund in a sum equal to 20% of the General Counsel's annual non-variable remuneration and in exchange receives units in the Fund. Those units are owned by Repsol until the General Counsel retires, whereupon the vested right will be transferred to him, together with the title over the units. He will also be entitled to the cumulative amount of the Permanence Reward upon termination of his contract, in cases entitling him to compensation, and on reaching the age of 62. The General Counsel is also unit-holder of a defined contribution company pension scheme of Repsol, the maximum contribution to which is set by collective agreement at 7 thousand euros a year.

A.6 Indicate any indemnity payments agreed or paid in the event of termination of the directorship.

Explain the indemnity payments
The Company has not paid nor agreed any termination payment for its Outside Directors in case of termination of their duties.

A.7 Indicate the conditions that the contracts of executive directors in senior management positions must respect. Among other aspects, give information on the duration, limits to the amounts of indemnity, tenure clauses, notice periods and payments that can replace such notice periods, and any other clauses regarding hiring bonuses, as well as severance payments or ring-fencing for early cancellation or termination of the contractual relationship between the company and the executive director.
Include, inter alia, covenants or agreements regarding non-competition, exclusivity, tenure or loyalty and non-competition after termination of contract.

Explain the conditions of the contracts of executive directors
Executive Directors: <u>a) Exclusive dedication and no competition</u> The contracts signed with the Executive Directors are non-term and establish a no competition obligation. This means that for a period of one year after expiry or termination of the corresponding contract the Executive Director may not render his services in companies of a similar nature to Repsol. The contracts also establish a no competition obligation in respect of companies and activities of a similar nature throughout the Executive Directors' relationship with the company. In consideration for this commitment, the Executive Directors are granted an economic compensation equivalent to one year's total annual compensation to which they are entitled at the time of termination. Finally, the contracts signed by the Executive Directors declare their employment relationship compatible with the performance of representative, administrative and management duties and any other professional situations that may arise in other

group, multi-group or associated companies.

b) Termination:

As mentioned in the Annual Report on the Remuneration Policy for Repsol Directors 2013, the Nomination and Compensation Committee and the Board of Directors of the Company are aware of and sensitive to the evolution of corporate governance practices and undertook to analyse the stance to be taken by Repsol in respect of compensations and, in particular, as regards the limitation of termination payments to Executive Directors. Thus, in 2013 the Company conducted an engagement process with its most significant investors and proxy advisors, including a Road-Show specifically addressing issues concerned with safety and environment, corporate social responsibility and corporate governance (ESG - *Environmental, Social and Governance*) led by the Chairman/CEO, who wanted to get a first-hand insight into the concerns and expectations of our shareholders in matters related with these issues and, in particular, with remuneration.

As a result of the reflection process made by the Company, the exhaustive analysis of the voting recommendations and policies of the different investors and proxy advisors and considering also the expectations detected during the engagement process, as well as the Recommendation of the European Commission 2009/385/EC of 30 April 2009, on 25 February 2014 the Board of Directors resolved, upon recommendation by the Nomination and Compensation Committee, to modify its policy limiting termination payments. Consequently, all contracts signed with new Executive Directors will have a limit termination payment to the equivalent of two years' compensation, including within said limit compensation for the no competition clause.

This notwithstanding, the Nomination and Compensation Committee and the Board of Directors of the Company continue to analyse all novelties and trends in corporate governance issues with a view to keeping Repsol in line with the evolution of market practices in this regard.

The particular case of the existing contracts of the Chairman/CEO and General Counsel, which were signed prior to application of the new policy, corresponds, therefore, to personal, professional and market circumstances prevailing when those contracts were signed, in 2004 and 2005, respectively. In the event of termination of these contracts, a deferred economic compensation is established equivalent to three years' total annual monetary remuneration, if the contract is terminated on grounds attributable to Repsol, by mutual agreement or, for the General Counsel, upon the occurrence of objective circumstances, such as a significant change of ownership of the Company's capital. Both contracts were approved in due course by the Board of Directors, based on a favourable report by the Nomination and Compensation Committee, which, after analysing the market practices prevailing at that time and obtaining external advice from independent experts, submitted the respective proposed terms of contract to the Board.

A.8 Explain any additional remuneration paid to directors for services rendered other than those inherent to their directorship.

Explain supplementary remuneration items
Directors do not receive any other additional remuneration for services rendered other

than those inherent to their directorship.

A.9 Indicate any remuneration granted in the form of advances, credits and guarantees, indicating the interest rate, key features and any amounts finally repaid, as well as the obligations against them by way of guarantee.

Explain the advances, credits and guarantees granted
The Company has not granted any advance, credit and /or guarantees to Directors

A.10 Explain the main features of remuneration in kind.

Explain any remuneration in kind
The Executive Directors are also entitled to certain benefits in kind including, among others, life and disability assurance, medical insurance, and payments on account/withholdings corresponding to the remuneration in kind.

A.11 Indicate the remuneration accruing to the director by virtue of payments made by the listed company to a third party in which the director provides services, when such payments are intended to remunerate the director's services in the company.

Explain he remuneration accruing to the director by virtue of payments made by the listed Company to a third party in which the director provides services.
The Company has not made any payment to any third party in which the director provides services intended to remunerate the director's services in the company.

A.12 Any kind of remuneration item other than those listed above, regardless of their nature or the group entity paying them, especially when it may be considered a related-party transaction or when its issuance would distort the true picture of the total remuneration received by the director.

Explain other remuneration items
None

A.13 Explain the actions taken by the company in connection with the remuneration system to reduce excessive risk exposure and match it to the long-term targets, values and interests of the company. Include, where appropriate, a reference to: measures designed to ensure that the remuneration policy is aligned with the long-term performance of the company; measures establishing an appropriate balance between fixed and variable compensation; measures taken in relation to those categories of staff whose professional activities have a material impact on the risk profile of the entity; clawback formulae or clauses to reclaim variable components of performance-based remuneration when such components have been paid on the basis of data that is subsequently proven to be wholly inaccurate; and measures designed to prevent conflicts of interest, where applicable.

Explain the actions taken to reduce the risks
The measures to ensure that the long-term results of the Company are taken into account in the remuneration policy are as follows:

a) The total compensation of the Executive Directors consists of different pay components, consisting essentially of: (i) non-variable remuneration, (ii) short-term variable remuneration and (iii) medium and long-term variable remuneration. This long-term component has a weight of over 30% of the total remuneration in a target scenario.

b) The medium and long-term variable remuneration schemes form part of a multi-year plan to ensure that the assessment process is based on the long-term results and takes account of the Company's underlying economic cycle.

c) The Company has established a Loyalty Incentive Scheme as described in A.4. The interests of the participants in this scheme are thus aligned with shareholders' interests. Finally, the Chairman/CEO is the individual with the largest number of shares in the Company, having a value representing approximately 244% of his current non-variable remuneration, which is the best proof of his degree of alignment with the long-term interests of the Company and its shareholders.

The remuneration policy establishes an adequate balance between non-variable and variable components, as follows:

a) The remuneration scheme is designed with a balanced, efficient combination of non-variable and variable components, as described in point A.1.4. above.

b) The variable components of the remuneration are sufficiently flexible to allow modulation to the extent that it is possible to eliminate them entirely. In a scenario where the objectives linked to the variable remuneration were not achieved, the executive directors would only receive the non-variable remuneration.

c) There is no guaranteed variable remuneration.

The measures adopted in respect of the categories of personnel whose professional activities have a material repercussion on the company's risk profile are as follows:

The Nomination and Compensation Committee is responsible for studying and analysing the remuneration policy for directors and senior executives and its application. This group includes professionals whose activities may have a material repercussion on the Company's risk profile. The Nomination and Compensation Committee also assesses the extent to which the objectives set in the multi-year variable remuneration scheme have been achieved and submits a proposal to the Board of Directors indicating the level of incentive to be paid. Executive Directors, Senior Executives, Executives and employees in Sub-Group I are included in these schemes.

Recovery clauses or formulas to be able to reclaim the variable components of the remuneration based on earnings when those components have been paid on the basis of figures subsequently proved to be manifestly inaccurate and measures established to avoid conflicts of interest, where appropriate:

a) The Nomination and Compensation Committee has the power to propose cancellation of the payment of any variable remuneration in circumstances of this nature.

b) Moreover, the Committee will assess whether exceptional circumstances such as those mentioned above may even lead to termination of the relationship with the person(s) responsible and claiming through the appropriate legal channels.

In particular, the conditions of the Loyalty Incentive Scheme establish that the accrual of additional shares is conditional, in addition to the beneficiary remaining in the Repsol Group, upon "*none of the following circumstances having occurred during the period prior to each of the deliveries of shares, in the opinion of the Board of Directors based on a report by the Nomination and Compensation Committee:*

- *infringement by the beneficiary of the Group's internal rules and regulations;*
- *material restatement of the Company's financial statements if this affects the degree of fulfilment of the objectives set in the corresponding multi-year remuneration scheme, except when this is due to a change in the applicable accounting principles*."

The Board of Directors Regulations, the Internal Regulation on Conduct regarding the Securities Market and the Code of Ethics and Conduct of Repsol employees (available in www.repsol.com) regulate the conflicts of interests and provide the framework and the rules that must be followed by those persons facing a potential conflict of interest situation.

B REMUNERATION POLICY FORECAST FOR FUTURE YEARS

B.1 Give a general forecast of the remuneration policy for future years, describing the policy with respect to: fixed components and variable remuneration and per diem payments, the relationship between remuneration and performance, pension systems, conditions of executive directors' contracts and forecast regarding the most significant changes in remuneration policy with respect to previous years.

General forecast of the remuneration policy
At the date of issuing this Report there are no variations envisaged in the basic principles of the Directors' remuneration policy for the performance of supervision and decision-making duties as a body corporate, or in those of the remuneration policy for executive directors described in this report, which will continue to be applicable in future years unless the competent corporate bodies decide to modify them in view of subsequent circumstances, for regulatory, economic, strategic, corporate governance or other any reasons. For this purpose, the Board of Directors and the Nomination and Compensation Committee shall, in exercise of their powers, continue to regularly review the remuneration policy applicable in the Company. In particular, with regard to the remuneration components of the executive directors for performance of their senior management duties: a) Non-variable remuneration: the non-variable remuneration will continue to represent a significant proportion of the total remuneration, as indicated in point A.3 of the Report. b) Annual variable remuneration: the annual variable remuneration shall be approved each year by the Board of Directors, upon recommendation by the Nomination and Compensation Committee, according to the criteria established, as described in section A.4 of this report. c) Multi-year variable remuneration: no modifications are anticipated in the future schemes, the main features of which are indicated in section A.4 of this report. d) Long-term saving systems: no modifications are anticipated in the policy of contributions to the defined contribution pension scheme described in section A.5 of the report. Since the Company's retirement commitment for the Chairman/CEO ended in 2013, it will not make any further contributions in his favour.

e) As indicated in section A.7, the policy approved by the Board of Directors in 2014 in respect of severance pay sets the limit for contracts signed for new executive directors at two years' remuneration (non-variable and annual variable), including the remuneration for the no competition clause.

B.2 Explain the decision-making process for shaping the remuneration policy planned for future years, and the role, if any, performed by the remuneration committee.

Explain the decision-making process for shaping the remuneration policy
At present, no substantial changes are envisaged in the decision-making process described in section A.2. regarding definition of the remuneration policy for future years, unless the competent corporate bodies decide on any modifications in view of circumstances arising in the future, for regulatory, economic, strategic, corporate governance or any other reasons.

B.3 Explain the incentives created by the company in the remuneration system to reduce excessive risk exposure and match it to the long-term targets, values and interests of the company.

Explain the incentives created to reduce risks
The main features of the multi-year variable remuneration are described in section A.4 of this report. These schemes, having a duration of 4 years, are management tools and mechanisms for aligning remuneration with the success of the business model strategy, shareholders' interests and the creation of long-term value. The provisions of section A.13 are applicable regarding incentives established to reduce excessive exposure to risks.

C GLOBAL SUMMARY OF HOW THE REMUNERATION POLICY HAS BEEN APPLIED DURING THE FINANCIAL YEAR ENDING

C.1 Give a brief explanation of the main features of the structure and remuneration items of the remuneration policy applied during the last financial year, resulting in the breakdown of the individual remuneration accrued by each of the directors listed in Section D of this report, and a summary of the resolutions passed by the board to implement these items.

Explain the structure and remuneration items of the remuneration policy applied during the year
Compensation of directors for their duties as such: The policy is as described in section A.3. The total compensation paid to Directors for their non-executive duties in 2013 was 5,040 thousand euros. **Compensation of Executive Directors for their executive duties:** <u>1) Non-variable remuneration</u>: On February 27, 2013 the Board resolved to maintain the non-variable remuneration of 2012, I-E. 2,368 thousand euros for the CEO/Chairman and 983 thousand euros for the General Counsel.

2) Annual variable remuneration: At year-end, the Nomination and Compensation Committee makes an assessment considering the information provided by the ED Strategy and Control and the ED People and Organization on the different categories of objectives and the results obtained. In 2013 these were:

a) 55% Operations objectives: net profit; net debt (ex GNF); production, reserve-replacement ratio and utilisation of conversion capacity.
b) 15% Sustainability objectives: Lost Time Injury Frequency Rate; sustainability plan; energy efficiency and CO_{2eq} reduction plan
c) 30% Strategy and Reputation objectives (qualitative): company's reputation; relationship with board and committees; business portfolio management.

With regard to the quantitative objectives, the Nomination and Compensation Committee calculated the degree of achievement using a mathematical formula, following the pre-established scales of achievement and based on the target values originally set in the Annual Budget 2013, the Sustainability Plan and the Energy Efficiency and CO_{2eq} Reduction Plan. As regards the qualitative objectives, the Nomination and Compensation Committee analysed the different milestones and actions performed during 2013 (details included in section D.2).

Based on the foregoing, the level of achievement reached by the Chairman/CEO in respect of the fulfilment of objectives established for 2013 was 72%, entitling him to a sum of 767 thousand euros (32.4% of his non-variable remuneration). The sums received for directorships in other companies in the Repsol Group and its investees during 2013 (619 thousand euros) were deducted from this amount.

For the General Counsel, the Nomination and Compensation Committee considered a level of achievement of 52% for Company objectives and 100% for the objectives related with his personal performance, giving him an overall fulfilment of 66.67%, entitling him to a sum of 590 thousand euros (60% of his non-variable remuneration).

3) Multi-year variable remuneration: The MTI 2010-2013 programme was closed as at December 31, 2013, in accordance with its rules. To establish the level of fulfilment of the programme, the Nomination and Compensation Committee has considered the information provided by the ED Strategy and Control and the ED People and Organization on the following categories of objectives and weightings established a priori:

a) 35% Upstream Growth Objectives: reserve-replacement ratio, increase in production, exploratory success rate and execution of projects.
b) 24% Downstream Objectives: commissioning as per plan and cost of the Cartagena project; commissioning as per plan and cost of the Bilbao project; raising of margin Cartagena and Bilbao and margin Refining and Marketing of Repsol vs sector.
c) 18% Optimization and financial discipline objectives: ratio of operating and financial cash flow to investments ex GNF, operations enhancement and savings programme and Improvement of credit rating.
d) 3% Value creation objectives: net profit. The Nomination and Compensation Committee calculates the degree of achievement of the above-mentioned objectives using a mathematical formula, following the achievement scales determined in advance and based on the objective values defined at the outset. The details are set out in section D.2.

The Nomination and Compensation Committee assesses the degree of achievement of the Chairman/CEO's multi-year variable remuneration according to the overall fulfilment of the objectives of the corresponding medium-term incentive programme, which was 75.56% for the IMP 2010-2013 programme. For the General Counsel, the Nomination and Compensation Committee also takes into consideration his personal performance. The incentive payable to the General Counsel for the IMP 2010-2013 programme was equivalent to 67.16% of the maximum. Consequently, the amounts agreed by the Board on February 25, 2014 for the Chairman/CEO and General Counsel were 1,360 and 483 thousand euros, respectively.

4) Loyalty Incentive Scheme: The Chairman/CEO and General Counsel participate in the 2013-2016 cycle, having purchased 16,467 and 1,646 Repsol shares, respectively.

5) Payment in kind: The Executive Directors are entitled to certain payments in kind including, among others, life and disability insurance and medical insurance. These payments also include the payments on account/withholding tax due on the payments in kind. The cost associated with the payments in kind corresponding to the Executive Directors in 2013 were 410 thousand euros for the Chairman/CEO and 100 thousand euros for the General Counsel.

6) Welfare Systems: The features are as described for the 2014 policy, in section A.5. At the express request of the Chairman/CEO, the Company stopped paying contributions to his pension scheme on 12/3/2013, hence the commitment undertaken by Repsol to make contributions to a welfare scheme to cover his retirement ended as of that date. The cost incurred by the Company in 2013 in contributions to pension schemes and welfare schemes for Executive Directors, including payments on account or withholdings where appropriate, amounted to 494 thousand euros for the Chairman/CEO and 203 thousand euros for the General Counsel.

7) Non-variable remuneration as members of the Board of Directors of Gas Natural SDG, S.A.: In 2013 the amount of this remuneration was 266 thousand euros for the Chairman/CEO and 139 thousand euros for the General Counsel. This amount is deducted from the Chairman's variable remuneration, as indicated above.

D BREAKDOWN OF INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

D.1 Complete the following tables on the individual remuneration of each of the directors (including remuneration for carrying out executive functions) accrued during the year.

a) Remuneration accrued in the Company covered by this report.

i) Cash remuneration (€k)

Name/ Type/ Accrual period 2013	Salary	Fixed remuneration	Per diem payments	Variable short-term remuneration	Variable long-term remuneration	Remuneration for membership of board committees	Indemnity	Other ítems	Total 2013t	Total 2012
Antonio Brufau Niubó- Executive	2,368	177	0	148	1,360	177	0	0	4,640	4,880
Isidro Fainé Casas- Institutional	0	177	0	0	0	177	0	0	354	354
Manuel Manrique Cecilia- Institutional (*)	0	132	0	0	0	132	0	0	264	0
Juan Abelló Gallo- Institutional (**)	0	29	0	0	0	37	0	0	66	398
Paulina Beato Blanco- Independent	0	177	0	0	0	88	0	0	265	265

Artur Carulla Font-Independent	0	177	0	0	0	221	0	0	398	398
Luis Carlos Croissier Batista-Independent	0	177	0	0	0	103	0	0	280	221
Rene Dahan-Institutional (***)	0	118	0	0	0	118	0	0	236	0
Ángel Durández Adeva-Institutional	0	177	0	0	0	88	0	0	265	265
Javier Echenique Landiríbar-Independent	0	177	0	0	0	265	0	0	442	442
Mario Fernandez Pelaz-Independent	0	177	0	0	0	44	0	0	221	221
Mª Isabel Gabarró Miquel-Independent	0	177	0	0	0	88	0	0	265	265
Jose Manuel Loureda Mantiñan-Institutional	0	177	0	0	0	88	0	0	265	265
Juan María Nin Génova-Institutional	0	177	0	0	0	88	0	0	265	265
Pemex Internacional España, S.A.-Institutional	0	177	0	0	0	221	0	0	398	398
Henri Philippe Reichstul-Independent	0	177	0	0	0	177	0	0	354	354
Luis Suárez de Lezo Mantilla-Executive	983	177	0	590	483	177	0	100	2,510	2,737

(*) Mr. Manrique was appointed member of the Board on April 25, 2013
(**) Mr. Abelló resigned from his position of member of the Board on March 6, 2013
(***) Mr. Croissier was appointed member of the Audit and Control Committee on May 31, 2013
(****) Mr. Dahan was appointed member of the Board on May 31, 2013

ii) Share-based remuneration systems

iii) Long-term savings systems

Name/ Type/Period of total accrual in years	Contribution to the year by the Company (€k)		Amount of funds accumulated (€k)	
	Year 2013	**Year 2012**	**Year 2013**	**Year 2012**
Antonio Brufau Niubó-Executive	494	2,467	0	
Luis Suárez de Lezo Mantilla-Executive	203	203	1,805	

b) Remuneration accruing to company directors for membership of boards in other group companies:

i) Cash remuneration (€k)

Name/ Type/ Accrual	Salary	Fixed remuneration	Per diem payme	Variable short-term remuneration	Variable long-term remuneration	Remuneration for membership of board	Indemnity	Other ítems	Total 2013t	Total 2012

period 2013			nts			committees				
Antonio Brufau Niubó-Executive	**0**	**266**	**0**	**0**	**0**	**0**	**0**	**0**	**266**	**286**
Luis Suárez de Lezo Mantilla-Executive	**0**	**139**	**0**	**0**	**0**	**0**	**0**	**0**	**139**	**159**

ii) Share based remuneration sysstems

iii) Long-term savings systems

iv) Other benefits(€k)

c) Summary of remuneration (€k):

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to the director, in thousand euros (€k).

Where there are long-term Saving Systems, include contributions or endowments made to such systems:

	Remuneration accruing to the company				Remuneration accruing to group companies				Totals		
Name/ Type	**Total cash remuneration**	**Value of shares granted**	**Gross profit on options exercised**	**Total 2013 to the company**	**Total cash remuneration**	**Value shares vested**	**Gross profit on options exercised**	**Total 2013 to the group**	**Total 2013**	**Total 2012**	**Contribution to saving systems during the year**
Antonio Brufau Niubó-Executive	4,640	0	0	4,640	266	0	0	266	4,906	5,166	494
Luis Suárez de Lezo Mantilla-Executive	2,510	0	0	2,510	139	0	0	139	2,649	2,896	203
Isidro Fainé Casas-Institutional	354	0	0	354	0	0	0	0	354	354	0
Manuel Manrique Cecilia-Institutional (*)	264	0	0	264	0	0	0	0	264	0	0
Juan Abelló Gallo-Institutional (**)	66	0	0	66	0	0	0	0	66	398	0
Paulina Beato Blanco-Independent	265	0	0	265	0	0	0	0	265	265	0
Artur Carulla Font-Independent	398	0	0	398	0	0	0	0	398	398	0
Luis Carlos Croissier Batista-Independent	280	0	0	280	0	0	0	0	280	221	0
Rene Dahan-Institutional (***)	236	0	0	236	0	0	0	0	236	0	0
Ángel	265	0	0	265	0	0	0	0	265	265	0

Durández Adeva- Institutional											
Javier Echenique Landiríbar- Independent	442	0	0	442	0	0	0	0	442	442	0
Mario Fernandez Pelaz- Independent	221	0	0	221	0	0	0	0	221	221	0
Mª Isabel Gabarró Miquel- Independent	265	0	0	265	0	0	0	0	265	265	0
Jose Manuel Loureda Mantiñan- Institutional	265	0	0	265	0	0	0	0	265	265	0
Juan María Nin Génova- Institutional	265	0	0	265	0	0	0	0	265	265	0
Pemex Internacional España, S.A.- Institutional	398	0	0	398	0	0	0	0	398	398	0
Henri Philippe Reichstul- Independent	354	0	0	354	0	0	0	0	354	354	0
Total:	11,488	0	0	11,488	405	0	0	405	11,893	12,172	697

(*) Mr. Manrique was appointed member of the Board on April 25, 2013
(**) Mr. Abelló resigned from his position of member of the Board on March 6, 2013
(***) Mr. Croissier was appointed member of the Audit and Control Committee on May 31, 2013
(****) Mr. Dahan was appointed member of the Board on May 31, 2013

D.2 Give information on the relationship between the remuneration received by the directors and the earnings or other performance indicators of the entity, explaining, where appropriate, how variations in the company's performance may have influenced the variation in directors' remunerations

a) Annual Variable Remuneration: For the quantitative objectives described in section C.1., the Nomination and Compensation Committee calculates the degree of achievement using a mathematical formula, following the pre-established scales of achievement and based on the target values originally set in the Annual Budget 2013, the Sustainability Plan and the Energy Efficiency and CO_{2eq} Reduction Plan. For the objectives related with the Strategy and Reputation objective category, the metrics of which are more qualitative, the Nomination and Compensation Committee has analysed the different achievements during 2013 in respect of the Company's reputation, relations with the Board of Directors and the Committees and portfolio management, assessing the achievements in those areas. It particularly takes account of the reputation management, the rewards and recognition obtained, the Chairman's leadership capacity throughout the year, strengthening the unity of the Board and promoting its central, constructive stance on the development and determination of the Company's strategy, adequate functioning of the Board and its Committees and regularity in the decision-making processes in those bodies. The Nomination and Compensation Committee also specifically considered the different operations carried out during the year in portfolio management, one of the basic pillars for achieving the objectives proposed in the Strategic Plan 2012-2016, which included divestments of the order of 4,000-4,500M€. Among other transactions, it considers the sale of 5% of the

Company's treasury stock to Temasek, the sale of LNG assets to Shell and the sale of 10% of Transportadora de Gas in Peru, with which the Company achieved the objective established for divestments in the Strategic Plan 2012-2016. The Nomination and Compensation Committee exercises its judgment when determining the degree of achievement of this category of objectives. Based on the foregoing, the level of achievement reached by the Chairman in respect of the fulfilment of objectives established for 2013 was 72%, entitling him to a sum of 767 thousand euros (32.4% of his non-variable remuneration). The sums received for directorships in other companies in the Repsol Group and its investees during 2013 (619 thousand euros) were deducted from this amount.

For the Secretary, the Nomination and Compensation Committee considered a level of achievement of 52% for Company objectives and 100% for the objectives related with his personal performance, giving him an overall fulfilment of 66.67%, entitling him to a sum of 590 thousand euros (60% of his non-variable remuneration).

Accordingly, using its judgment, the Board of Directors has resolved, upon recommendation by the Nomination and Compensation Committee, to determine a payment level of 72% of the incentive for the Chairman and 66.67% for the Secretary, and to pay the amounts of annual variable remuneration corresponding to 2013, namely: a) Chairman: 148 thousand euros (*); b) Secretary: 590 thousand euros.

(*) The sum of 148 thousand euros is obtained by deducting the amounts received in 2013 for directorships in other companies of the Repsol Group and its investees (619 thousand euros) from the total sum accrued by the Chairman in annual variable remuneration.

b**) Multi-year variable remuneration:** The MTI 2010-2013 programme was closed on December 31, 2013 as stipulated in its rules. The Nomination and Compensation Committee calculates the level of achievement of the objectives using a mathematical formula and according to the information provided by the ED Strategy and Control and the ED People and Organisation and based on the results obtained in respect of the categories of objectives described in section C.1; and the overall fulfilment of the programme based on the target values defined initially (the weighting of each objective has been adjusted for MTI 2010-2013 due to the change in the scope of consolidation following the expropriation of YPF). The details are set out in section D.2.

The following table summarises the level of achievement in each of the metrics and the associated incentive paid to the Chairman: a) in Upstream Growth with a weighting of 35%, the level of achievement determined is 26.20%; b) in Downstream, with a weighting of 24%, the level of achievement determined is 19.94%; c) in Optimization and financial discipline, with a weighting of 18%, the level of achievement determined is 11.76%; d) in Value Creation, with a weighting of 23%, the level of achievement determined is 17.65%. For the MTI 2010-2013 programme, the Nomination and Compensation Committee established an overall fulfilment of objectives equivalent to 75.56%.

As mentioned earlier, the Nomination and Compensation Committee assesses the degree of achievement of the Chairman's multi-year variable remuneration according to the overall fulfilment of the objectives of the corresponding medium-term incentive programme, which was 75.56% for the MTI 2010-2013 programme. For the Secretary, in addition to the overall fulfilment of the objectives of the MTI 2010-2013 programme, the Nomination and Compensation Committee has also taken into consideration his personal performance. Consequently, the incentive payable to the Secretary for the IMP 2010-2013 programme was equivalent to 67.16% of the maximum, entitling him to an incentive of 483 thousand euros (49.13% of his current non-variable remuneration).

D.3 Give information on the outcome of the consultative vote of the annual general meeting on the annual remuneration report of the previous year, indicating the number of votes cast against, if any:

	Number	% of total
Votes cast	830,020,128	64.72%

	Numbers	% of votes cast
Votes against	107,455,605	12.95%
Votes in favour	719,986,448	86,73%
Abstentions	2,578,075	0.31%

E OTHER INFORMATION OF INTEREST

If there are any relevant aspects relating to directors' remuneration that you have not been able to describe in other sections of this report but that are necessary to provide more comprehensive and fully reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

For information purposes, the final version of Note 56 to the Annual Report is hereby included.

Note on table iii) in D.1.a) "Long-term savings systems"

The cumulative vested rights of the Director-General Counsel Luis Suárez de Lezo in the pension scheme at 31 December 2013 amount to 1,805 thousand euros, with a contribution of 203 thousand euros in 2013.

By virtue of a resolution adopted by the Board of Directors on 27 February 2013 at the express request of the Chairman/CEO, Antonio Brufau, Repsol stopped making contributions to his pension scheme as of 12 March 2013, whereupon the commitment undertaken by Repsol S.A. in respect of his retirement expired. The cost incurred by the Company for 2013 up to the date of cancellation of the commitment, including the corresponding payments on account, was 494 thousand euros.

The Company has no pension commitments to other members of the Board of Directors.

Note on table i) in D.1.c) "Summary of compensations"

It should be noted that since the model Annual Report on Directors' Compensations of Circular 4/2013 does not permit the inclusion of decimals, there are a few minor variations in the figures indicated therein in respect of the real figures. Thus, in the table summarising compensations, the real total amount of the cash compensation accrued by the Company is

11,482 thousand euros, rather than 11,488 thousand euros; consequently, the real total amount for 2013 is 11,886 thousand euros, rather than 11,893 thousand euros.

This annual report on the remuneration of directors has been approved by the company's board of directors on the 25th of February of 2014.

Indicate whether any board members have voted against or abstained with respect to the approval of this report.

Yes ☐ No X

Name of board members (person or company) not voting in favour of approving this report	Reasons (against, abstain, not present)	Explain the reasons