ORDINARY SHAREHOLDERS' MEETING
2017

REPORT BY THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTIONS

Report of the Board of Directors on the resolution proposal related to points first ("Review and approval, if appropriate, of the Annual Financial Statements and Management Report of Repsol, S.A., the Consolidated Annual Financial Statements and Consolidated Management Report, for fiscal year ended 31 December 2016.") and second on the Agenda ("Examination and approval, if appropriate, of the proposed application of profits for 2016").

The Annual Financial Statements and the different documents comprising them in accordance with the Code of Commerce, the Companies Act and other applicable provisions, including sector provisions in place, consisting of both the individual financial statements of Repsol, S.A. and the consolidated financial statements of its Group of Companies, together with the Management Report of Repsol, S.A. and the Consolidated Management Report, were approved by the Board of Directors on 22 February 2017, after being reviewed by the Audit and Control Committee and the Internal Transparency Committee of Repsol, S.A., and after certification by the CEO and the CFO

The Annual Corporate Governance Report 2016, drawn up according to the model approved by the National Securities Market Commission (CNMV) Circular 7/2015 of 22 December, is annexed as a separate section to the individual and consolidated Management Reports.

These Annual Financial Statements and the Management Reports have been audited by the auditors of Repsol, S.A. and its Consolidated Group.

All these documents, together with the Auditors' Reports, are available for consultation by shareholders on the Company's website (www.repsol.com) and at the registered office, Calle Méndez Álvaro nº 44, 28045 Madrid, where shareholders may also request delivery of a copy or remittance, free of charge, to any address they may indicate.

With the approval of the Annual Financial Statement, it is proposed under point second on the Agenda the approval of the application of profits of Repsol, S.A. for 2016, in an amount of 3,431,646,655.56 euros, as indicated in the Notes to the Individual Annual Financial Statements (Note 3 – Application of Profit), approved by the Board of Directors on 22 February 2017.

The proposal includes the amounts to increase the company's legal reserve, necessary after the scrip dividends of the last years (24,342,126.80 euros), and the voluntary reserves (3,407,304,528.76 euros).

In addition to those proposals and as indicated also under point sixth on the agenda and within the framework of the "Repsol Flexible Dividend" Programme, it is proposed a capital increase against voluntary reserves from retained earnings, equivalent to a remuneration of 0.45 euros gross per share, which, if approved, will be implemented on the dates on which the final dividend has traditionally been paid.

Report of the Board of Directors on the resolution proposal related to point third on the Agenda ("Review and approval, if appropriate, of the management of the Board of Directors of Repsol, S.A. corresponding to fiscal year 2016").

In accordance with article 164 of the Companies Act, the management developed by the Board of Directors during fiscal year 2016 is subject to approval by shareholders, the remuneration of the directors is detailed in the Annual Financial Statements, in the Corporate Governance Annual Report and in the Annual Report on the Remuneration of Directors.

Report of the Board of Directors on the resolution proposal related to point fourth on the Agenda ("Appointment of the Accounts Auditor of Repsol, S.A. and its Consolidated Group for fiscal year 2017.")

The proposal presented by the Board of Directors to the General Shareholders´ Meeting for this point of the Agenda has been approved at the request of the Audit and Control Committee, which is responsible, in accordance with the Regulations of the Board of Directors, for submitting to the Board the proposals concerning the selection and appointment of the external Auditor of the Company and its Consolidated Group.

The Audit and Control Committee agreed, in its meeting of March 28, 2017, to propose to the Board of Directors, for its later submission to the General Shareholders' Meeting, the re-election of the entity Deloitte, S.L. as Auditor of Repsol, S.A. and of its Consolidated Group for the fiscal year 2017.

Report of the Board of Directors on the resolution proposal related to point fifth on the Agenda ("Appointment of the Accounts Auditor of Repsol, S.A. and its Consolidated Group for fiscal years 2018, 2019 and 2020.")

The proposal presented by the Board of Directors to the General Shareholders´ Meeting for this point of the Agenda has been approved at the request of the Audit and Control Committee, which is responsible, in accordance with the Board Regulations, for submitting to the Board the proposals concerning the selection and appointment of the external Auditor of the Company and its Consolidated Group.

As set forth in Law 22/2015, on Audit of Accounts, the period of the engagement of auditors in entities of public interest (a heading that includes listed companies) may not be less than three years nor more than ten. This term can only be extended up to a maximum of a further four years, provided that other auditors or audit firms are simultaneously engaged.

In accordance with the provisions of the applicable legislation, on 23 March 2016 the Audit and Control Committee launched a selection process for a new auditor involving the participation of leading international auditing firms. Having analysed the different offers received, following transparent and non discriminatory criteria, the Audit and Control Committee prepared a reasoned recommendation for the selection of the auditor of the Repsol Group for fiscal years 2018, 2019 and 2020, in which after considering PricewaterhouseCoopers, EY and KPMG, the first one has been the preferred by the Audit and Control Committee. In this respect, the Board of Directors resolved to submit to the General Shareholders' Meeting the proposal to appoint PricewaterhouseCoopers Auditores, S.L. as the auditor of the accounts of Repsol, S.A. and its consolidated Group for the period 2018-2020.

Report by the Board of Directors on the resolution proposals related to points sixth and seventh on the Agenda relating to capital increases in a determinable amount pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently outstanding, charged to reserves, offering shareholders the possibility of selling the free-of-charge allocation rights to the Company itself or on the market. Delegation of powers to the Board of Directors or, by substitution, to the Delegate Committee or the CEO, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with article 297(1)(a) of the Companies Act. Application for admission of the newly issued shares to listing on the Madrid, Barcelona, Bilbao and Valencia stock exchanges, through the Automated Quotation System (Sistema de Interconexión Bursátil), as well as on any other stock exchanges or securities markets where the Company´s shares are or could be listing.

This report is issued by the Board of Directors of Repsol, S.A. (the "**Company**" or "**Repsol**") to justify the two proposals to increase the capital in the context of the shareholder remuneration program called "Repsol Flexible Dividend", which will be submitted for approval under the sixth and seventh points of the Agenda, respectively, at the Ordinary General Shareholder's Meeting called at 12:00 on 18 May 2017, on first call and at the same time on 19 May 2017, on second call.

This report is issued in compliance with Articles 286 and 296 of the Companies Act, by virtue of which the Board of Directors must issue a report justifying the proposals to be submitted to the General Shareholders' Meeting, insofar as the approval of those resolutions and their implementation necessarily require a modification of Articles 5 and 6 of the Company's By-Laws, on the capital and shares, respectively.

Since the two capital increases have the same purpose and are implemented identically, this report contains the justification of both proposals. In order to enable a clearer understanding of the operations behind the proposals to increase the capital submitted to the General Shareholders' Meeting, shareholders are provided firstly with a description of the purpose of and grounds justifying those capital increases, and secondly with a description of the main terms and conditions of the capital increases against reserves contemplated in this report.

1 PURPOSE AND JUSTIFICATION OF THE PROPOSALS

1.1 Purpose and justification of the proposals

The Company has traditionally remunerated its shareholders through the payment of cash dividends and intends to maintain a policy that allows the shareholders, if they wish, to receive all of his compensation in cash.

With this approach, in order to improve shareholder remuneration structure and in keeping with the latest trends in this matter among other companies in IBEX-35, in 2012 the Company first offered its shareholders an option (called "Repsol Flexible Dividend") which, without affecting their right to receive the entire remuneration in cash if they so wished, gave them the possibility of receiving shares in the Company, with the tax benefits applicable to free-of-charge shares, as described below. This system was first implemented in the Company to replace it would have been the traditional payment of the final dividend for the year 2011 and was repeated to replace it would have been the traditional payment of the interim and final dividend for the years 2012, 2013, 2014 and 2015, and the interim dividend for the year 2016. In view of the good response to this system by the shareholders, it is considered appropriate to offer the same opportunity this year.

Thus, the purpose of the capital increase proposals submitted to the Shareholders' Meeting is to offer again all the Company's shareholders the option, at their free choice, of receiving new free-of-charge shares in the Company, without altering the Company's policy of remunerating its shareholders in cash, since they may opt, as an alternative, to receive an amount in cash by selling their scrip dividend rights to the Company (if they do not sell on the market), as explained herein below.

1.2 Structure of the operations and options available to shareholders

The two proposals laid before the General Shareholders' Meeting under the sixth and seventh points of the Agenda contemplate offering the Company's shareholders the option to receive, at their choice, either free-of-charge shares of the Company or remuneration in cash.

These offers are structured in two capital increases against reserves (each on an "**Increase**" or a "**Capital Increase**" and jointly the "**Capital Increases**"). However, although they both correspond to the purpose described in section 1.1 above, both could be executed simultaneously o independently on different dates and Repsol could even decide not to make one or both, in which case the corresponding Increase would have no effect pursuant to section 2.7 below.

When the Board of Directors or, by substitution, the Delegate Committee or the CEO decides to implement one of the Capital Increases:

(a) The Company's shareholders will receive a free-of-charge allocation right for each share in the Company that they hold at that time. These rights will be tradable so may be traded, on the same conditions as the shares in respect of which they are issued, on the Madrid, Barcelona, Bilbao and Valencia stock exchanges for a period of at least fifteen (15) calendar days, after which the free-of-charge allocation rights will automatically become new shares in the Company, which will be allocated to the

holders of the free-of-charge allocation rights at that date. The specific number of shares to be issued and, therefore, the number of rights needed for the allocation of one new share will depend on the price of the Company's share on the date of implementation of the Capital Increase (the "**Share Price**"), calculated by the procedure described herein below. However, as will be explained later (i) the total number of shares to be issued in the first Capital Increase will be determined so that their market value calculated at the Share Price will be approximately 673 million euro; and (ii) the maximum number of shares to be issued in the Second Capital Increase will be determined so that their market value calculated at the Share Price will be the amount fix by the Board or, by substitution, the Delegate Committee or the CEO, with the limit established in section 1.4 below.

(b) The Company will irrevocably undertake to purchase the aforesaid free-of-charge allocation rights at a fixed price from whom receive them free due to appear entitled in the accounting registers of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) on the corresponding date according to the clearing and settlement rules applicable (the "**Purchase Commitment**"). The Purchase Commitment will only cover the allocation rights received by the Company's shareholders free of charge, not those purchased or otherwise acquired on the market. The fixed purchase price of the free-of-charge allocation rights will be calculated before trading of the rights commences, based on the Share Price (such that the price per right will be the result of dividing the Share Price by the number of rights needed to receive one new share, plus one). The Company thus guarantees that all shareholders will be able to monetize their free-of-charge allocation rights and thus receive the cash if they do not wish to receive new shares.

Therefore, when each Capital Increase is made, the Company's shareholders may choose freely between the following options[1]:

(a) Not to sell their free-of-charge allocation rights. In this case, at the end of the trading period the shareholder will receive the corresponding number of new free-of-charge shares.

(b) To sell all or part of their free-of-charge allocation rights to the Company under the Purchase Commitment at a guaranteed fixed price. Shareholders choosing this option would monetize their rights and receive a remuneration in cash dividend instead of shares.

1 The options available to holders of *American Depositary Shares* and ordinary shares listed on different stock exchanges or securities markets of Madrid, Barcelona, Bilbao and Valencia may be subject to certain variations in respect of the options described here, due to the terms and conditions applicable to the programs in which those holders participate and the regulations of the stock markets on which those securities are traded.

(c) To sell all or part of their free-of-charge allocation rights on the market. Shareholders choosing this option would also monetize their rights, although in this case they would not receive a guaranteed fixed price, as in option (b) above, but instead the consideration payable for the rights would depend on market conditions in general and the quotation price of those rights in particular.

The Company's shareholders may combine any or all of the alternatives mentioned in paragraphs (a) to (c) above. It should be noted in this regard that the alternatives receive different tax treatment.

The gross amount received by shareholders choosing options (a) and (b) will be equivalent, as the Share Price will be used to determine both the fixed price of the Purchase Commitment and the number of free-of-charge allocation rights needed for the allocation of one new share. In other words, the gross price received by a shareholder selling all his free-of-charge allocation rights to the Company under the Purchase Commitment will be approximately equal to the value of the new shares he will receive if he does not sell his rights, calculated at the market price of the Company's share at the date of the Capital Increase (i.e. the Share Price). However, the tax treatment of each alternative is different. The tax treatment of the sales contemplated in options (b) and (c) is also different (see section 2.6 below for a summary of the tax regime applicable to this operation in Spain).

1.3 Coordination with the traditional dividend

The Company plans to replace what would have been the traditional final dividend of 2016 and the interim dividend of 2017 with two issues of free-of-charge shares, although preserving its shareholders' right to receive a cash remuneration if they prefer.

1.4 Amount of the Alternative Option and price of the Purchase Commitment

The structure of the proposals consists of offering shareholders free-of-charge shares, the value of which, determined according to the Share Price, will be:

(a) in the first Increase, a total of 673,382,183 euro gross; and

(b) in the second Increase, the amount determined by the Board of Directors or, by substitution, the Delegate Committee or the CEO, with the limit of 617,000,000 euro gross.

Since, as mentioned earlier, the purpose of the Purchase Commitment is to enable shareholders to monetize the Amount of the Alternative Option of each Increase, and bearing in mind that shareholders will be assigned one free-of-charge allocation right for each

outstanding share, the gross price per right at which the Purchase Commitment will be made in each Increase would be approximately equal, subject to the provisions of sections 2.1 and 2.3 below, to the amount per share of the Amount of the Alternative Option.

The final purchase price (and, in relation to the second Increase, the Amount of the Alternative Option, if appropriate) will be determined and announced pursuant to section 2.3.

2 MAIN TERMS AND CONDITIONS OF THE CAPITAL INCREASE

2.1 Amount of each Capital Increase, number of shares to be issued and number of scrip dividend rights needed for the allocation of one new share

The maximum number of shares to be issued in each Capital Increase will be the result of dividing the Amount of the Alternative Option of the corresponding Increase between the value of the Company's share when the Board of Directors or, by substitution, the Delegate Committee or the CEO, decides to implement each Capital Increase (i.e. the Share Price). The number thus calculated will be rounded off to obtain a whole number of shares and a rights-shares conversion rate, also in a whole number. In addition and for the same purpose, the Company will waive the free-of-charge allocation rights corresponding to it, for the sole purpose of ensuring that the number of new shares to be issued in each Capital Increase is a whole number and not a fraction.

To determine the number of shares to be issued, it will be considered only the outstanding free-of-charge allocation rights at the end of the trading period, excluding those that were sold to the Company under the Purchase Commitment at a guaranteed fixed price (alternative b).

When it is decided to implement a Capital Increase, the Board of Directors or, by substitution, the Delegate Committee or the CEO will determine the maximum number of shares to be issued in each Increase and, therefore, the maximum amount of the Capital Increase and the number of free-of-charge allocation rights need for the allocation of one new share by applying the following formula (rounding the result down to the nearest whole number):

MNNS = NES / No. Rights per share

where,

"MNNS" = Maximum number of New Shares to be issued in the Capital Increase;

"NES" = number of outstanding shares in the Company at the date on which the Board of Directors or, by substitution, the Delegate Committee or the CEO resolves to implement the Capital Increase; and

"No. Rights per share" = number of free-of-charge allocation rights required for the allocation of one New Share in the Capital Increase, which will be the result of applying the following formula, rounded up to the nearest whole number:

No. Rights per Share = NES /Provisional no. shares

where,

"Provisional no. shares" = Amount of the Alternative Option / Share Price

For this purpose, "Share Price" will be the arithmetic mean of the weighted average prices of the Company's share on the Madrid, Barcelona, Bilbao and Valencia stock exchanges over the five (5) trading sessions prior to the date of the resolution adopted by the Board of Directors or, by substitution, the Delegate Committee or the CEO to implement the Capital Increase, rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro.

The final number of shares to be issued will be the ratio of the number of outstanding rights at the end of the negotiation period and the number of rights per share, and if this figure is not a whole number, the Company will waive the free-of-charge allocation rights necessary to do so.

Once determined the final number of shares to be issued, the amount of each Capital Increase will be the result of multiplying the number of the new shares by the par value of the Company's shares -one euro per share (1 €) -. The Capital Increases will be made, therefore, at par, with no share premium.

Example of the calculation of the number of new shares to be issued, the amount of a Capital Increase and the number of free-of-charge allocation rights needed for the allocation of one new share:

For the sole purpose of helping shareholders to understand its application, a sample calculation is set out below using the formula contemplated in this section. The results of these calculations are not representative of the possible real results in the event of making the Capital Increases, which will depend on the different variables used in the formula (essentially the Share Price of the Company's share at that time) and the rounding off to be made.

For the sole purpose of this example:

The Amount of the Alternative Option of the Increase to be made is 673,382,183 euros.

A Share Price of 14.50 euros is assumed.

The NES is 1,496,404,851 (number of Company shares at the date of this report).

Therefore:

Provisional no. shares = Amount of the Alternative Option / Share Price = 673,382,183 / 14.50 = 46,440,150.55

No. Rights per share = NES / Provisional no. shares = 1,496,404,851 / 46,440,150.55 = 32.22 = 33 (rounded up)

MNNS = NES / No. Rights per share = 1,496,404,851 / 33 = 45,345,601 (rounded down)

The free-of-charge allocation rights sold to the Company under the Purchase Commitment at a guaranteed fixed price (alternative b), are excluded from the computation of shares to be issued (NNS). In the example, if the Company had purchase 1,000,000,000 free-of-charge allocation rights, would be 496,404,851 of outstanding free-of-charge allocation rights at the end of the trading period. The calculation of the final number of new shares to be issued (NNS) would be:

NNS = Number of outstanding free-of-charge allocation rights / No. Rights per share = 496,404,851 / 33 = 15,042,571 (rounded down).

Consequently, in this example, (i) the final number of new shares to be issued in the Capital Increase would be 15,042,571, (ii) the amount of the Capital Increase would be 15,042,571 euros, and (iii) 33 free-of-charge allocation rights (or old shares) would be needed for the allocation of one new share in that Increase.

2.2 Free-of-charge allocation rights

In each Capital Increase each share of the Company in circulation will entitle its holder to one free-of-charge allocation right.

The number of free-of-charge allocation rights needed to receive one new share in each Capital Increase will be determined automatically according to the ratio of the number of new shares to the number of outstanding shares at that time, calculated using the formula established in section 2.1 above. In particular, shareholders will be entitled to receive one New Share for a number of free-of-charge allocation rights determined according to section 2.1 above, that they hold in the corresponding Increase.

If the number of free-of-charge allocation rights required for the allocation of one new share in the Capital Increase (33 in the example set out above) multiplied by the maximum number of new shares to be issued (MNNS) (45,345,601 in the example) is lower than the number of outstanding shares in the Company (NES) at the date of the execution of the Capital Increase

(1,496,404,851 in the example), the Company will waive a number of free-of-charge allocation rights equal to the difference between the two figures (18 rights in the example) for the sole purpose of ensuring that the number of new shares is a whole number and not a fraction. In that case, there would be an incomplete allocation of the Capital Increase and the capital would be increased only by the amount corresponding to the free-of-charge allocation rights in respect of which no waiver has been made (for which the provisions of section 2.3 below must also be taken into consideration), pursuant to Article 311 of the Companies Act.

Free-of-charge allocation rights will be allocated to whom being entitled to receive them according to the accounting registers of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) on the corresponding date according to the clearing and settlement rules applicable. Such rights may be traded on the same conditions as the shares in respect of which they are granted and may be traded on the market for such time as may be determined by the Board of Directors or, by substitution, the Delegate Committee or the CEO, at least fifteen (15) calendar days. During that period, sufficient free-of-charge allocation rights may be acquired on the market in the necessary proportion to receive new shares.

The holders of any convertible debentures into Company shares that may be outstanding at the date on which the Board of Directors or, by substitution, the Delegate Committee or the CEO resolves to implement the Capital Increase will not have free-of-charge allocation right over the New Shares, notwithstanding the modifications to be made to the conversion rate by virtue of the terms of each issue.

2.3 Purchase Commitment of the free-of-charge allocation rights

As mentioned earlier, the Company irrevocably undertakes to purchase the free-of-charge allocation rights assigned in each Capital Increase (the "**Purchase Commitment**"), so those receiving free the free-of-charge allocation rights at the start of the trading period of those rights will have guaranteed the possibility of selling their rights to the Company and receiving, at their choice, all or part of their remuneration in cash. The Purchase Commitment will only cover the allocation rights received by the Company's shareholders free of charge, not those purchased or otherwise acquired on the market, and will be in force and may be accepted during such time, within the trading period of the rights, as may be determined by the Board of Directors or, by substitution, the Delegate Committee or the CEO. The purchase price under the Purchase Commitment will be fixed, calculated prior to opening of the trading period for the free-of-charge allocation rights applying the following formula (applying the definitions set out in section 2.1 above), rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro (the "**Purchase Price**"): Purchase Price = Share Price / (No. Rights per share +1).

The final Purchase Price thus calculated will be determined and announced on the date of

implementation of each Capital Increase.

The Company will foreseeably waive the new shares corresponding to the free-of-charge allocation rights acquired under the Purchase Commitment. In that case there would be an incomplete allocation of each Capital Increase and the capital would be increased only by the amount corresponding to the free-of-charge allocation rights in respect of which no waiver has been made, pursuant to Article 311 of the Companies Act.

2.4 Rights of the new shares

The new shares issued in each Capital Increase will be ordinary shares with a par value of one euro (1 €) each, of the same class and series as those currently in circulation, issued in book-entry form, the accounting register of which will be assigned to *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) and its members. The new shares will confer upon their holders the same voting and economic rights as the Company's ordinary shares currently in circulation as from the date on which the Capital Increase is declared subscribed and paid up.

The Capital Increases will be made free of charges and commissions for the allocation of new shares issued. The Company will bear the costs of issue, subscription, putting into circulation, listing and any others related with each Capital Increase.

Nevertheless, the Company's shareholders should bear in mind that the members of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) at which they have deposited their shares may, under prevailing laws, establish such administration charges and commissions as they may freely determine for the subscription of the new shares and the maintaining of the shares in the accounting registers. Moreover, these members may, under prevailing laws, establish such charges and commissions as they may freely determine for handling purchase and sale orders in respect of free-of-charge allocation rights.

2.5 Balance sheet and reserve against which the Capital Increases are made

The balance sheet on which the Capital Increases are based is the balance sheet for the year ended 31 December 2016, audited by Deloitte, S.L. on 22 February 2017 and laid before the Ordinary General Shareholders' Meeting for approval under the first point of the Agenda.

The Capital Increases will be made entirely against the voluntary reserves from retained earnings. When making the Capital Increase, the Board of Directors or, by substitution, the Delegate Committee or the CEO, will specify the reserve to be used and the amount of that reserve according to the balance sheet used as the basis for the Capital Increases.

2.6 Taxation

General comments

The principal tax implications deriving from the Capital Increase are set out below, based on the tax laws in place in the common territory and the interpretation made by the Spanish tax authorities (*Dirección General de Tributos*) in answers to several binding consultations.

Although the tax regime applicable to shareholders resident in Basque Country and Navarra, Ceuta and Melilla is similar to that of the common territory, certain differences may arise in the tax treatment (particularly for individual shareholders resident in certain territories, in connection with the sale of their free-of-charge allocation rights in the market).

Shareholders not resident in Spain, the holders of *American Depositary Shares* representing shares in the Company and the holders of Company shares listed on markets or stocks exchanges other than the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges should consult their tax advisers on the effects deriving from the different options for the Capital Increase, including the right to apply the provisions of double taxation treaties signed by Spain.

It should be borne in mind that the taxation of the different options for the Capital Increase set out herein does not cover all possible tax consequences nor future potential changes in the legislation that may affect the applicable taxation.

Consequently, shareholders are recommended to consult their tax advisers on the specific tax impact of the proposed operation and to pay attention to any changes or amendments that may be made in both the laws in place at the date of this operation and the interpretation criteria, as well as the specific circumstances of each shareholder or holder of free-of-charge allocation rights.

Specific comments

The new shares delivered in each Capital Increase will, for tax purposes, be considered bonus shares and, as such, will not be considered income for personal income tax (IRPF), corporate income tax (IS) or non-resident income tax (IRNR), regardless of whether or not the recipients of those shares operate through a permanent establishment in Spain. In line with the foregoing, the delivery of new shares is not subject to withholding tax or payment on account (advance tax).

The acquisition value of both the new shares and the shares in respect of which they are issued will be determined by dividing the total cost by the number of shares, both old shares and bonus shares. The bonus shares will be considered to have the same age as the shares in respect of which they are issued.

Consequently, in the event of a subsequent sale, the income obtained will be calculated with reference to this new value.

If shareholders sell their free-of-charge allocation rights on the market, and in the case of the present program, the proceeds obtained from trading those rights on the market will be given the tax treatment described below:

a) For personal income tax and income tax of non-residents with no permanent establishment in Spain, the proceeds obtained from the sale of free-of-charge allocation rights on the market will be given the same tax treatment as pre-emption subscription rights.

   Consequently, the proceeds from selling the free-of-charge allocation on the market will be considered a capital gain for the seller who are IRPF (Personal Income Tax) taxpayers or IRNR (Non-Resident Income Tax) taxpayers without a permanent establishment in Spain. The capital gain shall be subject to IRPF (Personal Income Tax) withholding at the rate that is applicable at that time. This IRPF (Personal Income Tax) withholding shall be performed by the corresponding depositary institution (and, in its absence, by the financial intermediary or the notary public involved in the transfer of these rights).

   The above without prejudice to the possible application to non-resident taxpayers with no permanent establishment in Spain of the double taxation treaties signed by Spain to which they may be entitled as well as the exemptions foresee by the IRNR legislation.

b) For corporate income tax and income tax of non-residents with a permanent establishment in Spain, since a full commercial cycle is closed, it will be taxed according to the applicable accounting standards and, where appropriate, any special tax regimes applicable to the shareholders subject to the taxes indicated.

Finally, if holders of the free-of-charge allocation rights decide to take up the Repsol Purchase Commitment, the proceeds from sale to Repsol of such rights received as shareholders will be given the same tax treatment as a cash dividend and, therefore, they will be subject to withholding tax and the corresponding taxation.

2.7 Authorization to make each Capital Increase

Pursuant to Article 297.1.a) of the Companies Act, it is proposed authorizing the Board of Directors, with express power to delegate to the Delegate Committee or the CEO, to determine the date on which each capital increase resolution adopted by the Ordinary General Shareholders' Meeting is to be implemented and to establish the conditions of each Capital Increase in any aspects not stipulated by the Shareholders' Meeting, within a period not

exceeding one year from the date on which the resolutions are adopted by the Shareholders' Meeting in respect of the Capital Increases.

This notwithstanding, if the Board of Directors, with express powers of substitution, does not consider it convenient to make any of the Capital Increases, it may submit a proposal to the Shareholders' Meeting for revocation, in which case it will not be obliged to make the Capital Increase in question. In particular, the Board of Directors or, by substitution, the Delegate Committee or the CEO, will analyse and take account of the market conditions, circumstances of the Company and any deriving from a socially or economically important event or circumstance, as well as the level of acceptance of the first Capital Increase and, if in the opinion of the Board of Directors those or other considerations make it unadvisable to make the corresponding Increase, it may submit a proposal to the Shareholders' Meeting to revoke any of the Capital Increases. Moreover, the Capital Increases will have no effect if the Board of Directors or, by delegation, the Delegate Committee or the CEO, does not exercise the powers delegated to it within the period of one year indicated by the Shareholders' Meeting for making the Capital Increase, in which case it will report on that at the first Shareholders' Meeting held thereafter.

When the Board of Directors or, by substitution, the Delegate Committee or the CEO, decides to make Capital Increase, defining the final terms thereof in any aspects not already specified by the Shareholders' Meeting, the Company will publish those terms. In particular, prior to commencement of the period for free allocation of the corresponding Increase, the Company will publish a document containing information on the number and nature of the shares and the reasons for the Capital Increase, in pursuance of Article 26.1.e) of Royal Decree 1310/2005 of 4 November, partly developing Royal Legislative Decree 4/2015 of October 23, approving the revised text of the Securities Market Act.

After the end of the trading period for free-of-charge allocation rights in respect of each Capital Increase:

(a) The new shares will be allocated to those shareholders who hold the free-of-charge allocation rights according to the registers kept by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (Iberclear) and its members in the necessary proportions.

(b) The Board of Directors or, by substitution, the Delegate Committee or the CEO, will declare the free-of-charge allocation rights trading period over and will apply the reserves in the Company's accounts in the amount of the corresponding Capital Increase, which will be deemed paid up by that application.

Finally, the Board of Directors or, by substitution, the Delegate Committee or the CEO, will adopt the corresponding resolution to modify the By-Laws in order to reflect the new amount

of the capital following each Capital Increase and apply for listing of the new shares.

2.8 Listing of the new shares

The Company will apply for listing of the new shares issued in each Capital Increase on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Automated Quotation System (*Sistema de* Interconexión Bursátil), as well as on any other stock exchanges or securities markets where the Company´s shares are or could be listing, expressly putting on record that the Company submits to existing or future laws and regulations governing the stock market, particularly regarding trading, minimum time frames and delisting.

Report of the Board of Directors on the proposed resolution on point eight on the Agenda ("Delegation to the Board of Directors on the power to issue fixed income, convertible and/or exchangeable securities for Company shares, as well as warrants (options to subscribe new shares or acquire circulating Company shares). Setting of criteria to determine the terms and types of the conversion and/or exchange and allocation to the Board of Directors of the powers to increase capital as necessary, as well as fully or partially remove shareholders' pre-emptive subscription rights in these issuances. Authorisation for the Company to guarantee security issuances made by its subsidiaries. Nullify the portion of resolution thirteen B) of the General Shareholders' Meeting held on 31 May 2012 that were not used.")

The purpose of this report is to justify the proposal to the General Shareholders' Meeting that, under point eight of the Agenda, granted powers to the Board of Directors of Repsol, S.A. (the "Company"), with express powers of delegation for the Delegate Committee and the CEO, for the issue, on one or various occasions, of notes, bonds and other similar fixed income securities convertible and/or exchangeable into Company shares, as well as warrants convertible and/or exchangeable for Company shares.

The Board of Directors finds it highly appropriate to have the delegated powers admitted in prevailing regulations, in order to be ready at all times to capture the funds required for adequate management of corporate interests in the primary securities markets. From this perspective, the proposed delegation aims to provide the Company's Board of Directors with room for manoeuvre and response capacity required in the competitive environment in which the Company operates, in which, frequently, the success of a strategic initiative or a financial transaction depends on the possibility of its swift execution, without the delays and costs entailed by calling and holding a General Shareholders' Meeting.

With this purpose, pursuant to art. 511 of the Spanish Companies Act and art. 319 of the Mercantile Registry Regulations, applying by analogy the provisions of art. 297.1.b) of the Spanish Companies Act, it is proposed before the General Meeting to adopt the resolution made under point eight of its Agenda, for the issue, on one or various occasions, of obligations, bonds and other similar fixed-income securities, convertible and/or exchangeable for Company shares, as well as warrants that are convertible and/or exchangeable for Company shares.

The proposal establishes a maximum aggregated amount of issues under delegation of 8.4 billion euros, or the equivalent foreign currency sum.

The proposal also envisages that the Board of Directors be authorised to be able to issue convertible and/or exchangeable bonds or notes or warrants or other similar securities that may offer direct or indirect subscription or acquisition rights for Company shares, whether newly created or outstanding, that can be settled by physical delivery or by offset, or the exercise of the subscription option, provided that the increase from delegation does not

exceed half of share capital, pursuant to art. 297.1.b) of the Spanish Companies Act or the lower limit set in case the issue does not include a pre-emptive subscription right, all pursuant to the authorisation of General Meeting in force at each moment and without such provisions in any way affecting the application of anti-dilution adjustments when appropriate. Currently, and as agreed under point nineteen of the agenda of the Ordinary General Shareholders' Meeting of 28 March 2014, these limits, applicable to the capital increase intended for the conversion, are a maximum nominal amount of 662,258,010 euros (50% of capital on the indicated date) and, for the specific case of issues with no pre-emptive subscription right, a maximum nominal amount of 264,903,204 euros (20% of capital on the same date). As of the date of this proposed resolution, the Board of Directors had not yet used this authorisation.

Additionally, also for the case of issues of convertible and/or exchangeable securities, the proposed resolution includes criteria to determine the terms and types of conversion and/or exchange, although it allows the Board of Directors to define these terms and types for each issue, always within the limited and under the criteria set by the Meeting. Consequently, the Board of Directors will determine the specific conversion and/or exchange relationship, for which it will issue a report at the same time as approving a convertible and/or exchangeable securities issue pursuant to this delegation, which will define and develop the specific terms and type of the conversion and/or exchange, which will also be subject to the corresponding report of the auditor in the meaning of art. 414.2 of the Spanish Companies Act (or independent expert, in a systematic interpretation, following the amendments introduced in the Spanish Companies Act, particularly art. 417.2 b), by the Law 22/2015, of 20 July on Financial Audits).

In particular, the proposed resolution submitted for the approval of the General Meeting establishes that the securities issued will be measured by their face value and shares at a fixed (determined or determinable) or variable exchange determined by resolution of the Board of Directors.

For the purposes of the conversion and/or exchange, fixed income securities will be measured by their face value, and the shares by exchange established by the Board of Directors in the resolution under this delegation, or by exchange to be determined on the date or dates indicated in such resolution, and according to the Stock Market list price of the Company shares on the date(s) or period(s) taken as a reference in the same resolution, without or without discount and, in any event, at least with the greater of the following two (the "Minimum Value"): (a) the average exchange (whether mathematical or weighted) of the shares in the Continuous Market of the Spanish stock market, according to closing prices, average prices or another price reference, for the period to be determined by the Board of Directors that shall be no longer than three (3) months or shorter than three (3) calendar days, which shall end no later than the day prior to the adoption of the resolution to issue the securities by the Board of Directors, and (b) the exchange of shares in the Continuous Market according to closing price of the day prior to that of adoption of the aforementioned issue

resolution. In this way, the Board finds that a sufficient margin of flexibility has been granted to determine the value of the shares for the purpose of conversion, exchange or exercise according to market conditions and other applicable considerations, although it shall generally be materially equivalent to their market value at the time the issue is resolved.

The issue of convertible and/or exchangeable fixed-income securities with a variable conversion and/or exchange relationship may also be resolved. In such case, the price of shares for the purpose of the conversion and/or exchange will be the mathematical average of closing prices, average prices or another price reference of the Company shares in the Continuous Market during a period to be determined by the Board of Directors that shall be no longer than three (3) months and no shorter than three (3) days, and that shall end no later than the day before the date of conversion and/or exchange, with a premium or, if appropriate, discount on the said price per share. The premium or discount may differ on each date of conversion and/or exchange of each issue (or, if appropriate, each change of an issue), although if a discount is set on the share price, it may not be greater than 30%. Additionally, a minimum and/or maximum reference price for the shares in their conversion and/or exchange may be established. Once again, the Board believes that this provides it with sufficient room for manoeuvre to set the variable conversion and/or exchange relationship pursuant to market circumstances and other considerations to be taken into account by the Board, but setting a maximum discount in order to ensure that the rate of issue of newly created shares in the case of conversion, if a discount is given, does not deviate by more than 30% from the share market value when the conversion takes place or from the reference set by the Board.

Warrants on newly created shares shall be subject to the rules on convertible bonds set out in this proposal, to the extent compatible with their nature.

Additionally, and in accordance with art. 415.2 of the Companies Act, convertible bonds may not be converted into shares when their face value is lower than the shares. Likewise, convertible bonds may not be issued for a lower figure than their face value.

Moreover, in accordance with art. 511 of the Spanish Companies Act, and in case the issue is of convertible bonds, the authorisation for the issue of fixed income securities includes empowering the Board of Directors to fully or partially exclude shareholders' pre-emptive subscription right when so demanded to capture financial resources in market, in order to facilitate the Company's acquisition of the assets is required to pursue its corporate purpose or where otherwise justified by corporate interest. The Board of Directors believes that this additional possibility, which considerable greatens room for manoeuvre and response time offered by the mere delegation of the ability to issue convertible bonds, is justified by the flexibility and swiftness required to act in current financial markets, to be able to make the most of times when market conditions are more favourable. This justification is also true when the capture of financial resources is sought in international markets or through bookbuilding or when otherwise justified by the Company's interests. Lastly, the removal of preferential

subscription rights allows a relative cheapening of borrowing costs and the costs related to the transaction, particularly including the commission of financial entities participating in the issue, compared to an issue that includes a pre-emptive subscription rights, and also offers a less distorting effect on Company share trading during the issue period.

It must be noted that the exclusion of the pre-emptive subscription rights is a power delegated by the General Shareholders' meeting to the Board of Directors, and it is the responsibility of the latter to decide whether to do so, according to prevailing circumstances and legal demands. Additionally, if the Board agrees to exclude preferential subscription rights in an issue, it shall also issue a report explaining the company interests that justify such exclusion, which also must be subject to a report by an external auditor (or independent expert, under a systematic interpretation, following the changes introduced by the Spanish Companies Act, and especially art. 417.2 b), by Act 22/2015, of 20 July, on Financial Auditing) envisaged by art. 417.2 and 511.3 of the Spanish Companies Act and that will be provided to shareholders and communicated in the first General Shareholders' Meeting held after adoption of the issue resolution. These reports will also be immediately posted on the Company's website.

Likewise, for securities issues that do not include a conversion option, due to being purely exchangeable for Company shares, the proposal specifies that, in general, the rules on the terms and types of conversion shall not apply, nor shall those concerning the capital increase necessary and rights of holders established for issues of convertible securities.

The proposal is completed with the request that, when appropriate, the securities issued under this authorisation be admitted to trading on any secondary market or trading centre, whether organised or not, official or not, national or foreign, authorising the Board to carry out the processes required to such end, and expressly enabling the Board of Directors to be able to delegate all its granted powers to the Delegate Committee and the CEO.

Likewise, the proposal includes authorising the Board to guarantee fixed-income security issues referred to in this resolution that may be made by companies of the Repsol group.

Lastly, it must be indicated that the proposal includes voiding the unused part of resolution thirteen B) of the General Shareholders' Meeting of 31 May 2012, due to repetition in the regulated matter.

Report of the Board of Directors on the resolution proposals related to points ninth, tenth, eleventh, twelfth, thirteenth, fourteenth and fifteenth on the Agenda, regarding the re-election of Mr. Rene Dahan, Mr. Manuel Manrique and Mr. Luis Suárez de Lezo Mantilla as Directors and to the ratification and re-election of Mr. Antonio Massanell Lavilla as Director, as well as those relating to the appointment of Ms. María Teresa Ballester Fornés, Ms. Isabel Torremocha Ferrezuelo and Mr. Mariano Marzo Carpio.

This report is prepared by the Board of Directors, in compliance the provisions of art. 529 *decies* of the Companies Act [*Ley de Sociedades de Capital*], to justify the proposal for re-election as directors of Mr. Rene Dahan, Mr. Manuel Manrique Cecilia and Mr. Luis Suárez de Lezo Mantilla, the proposal for ratification and re-election as Director of Mr. Antonio Massanell Lavilla together with the proposals for the appointment of Ms. María Teresa Ballester Fornés, Ms. Isabel Torremocha Ferrezuelo and Mr. Mariano Marzo Carpio, all of them for a period of four years, valuing for such purpose the skills, experience and merits of persons whose appointment, ratification and/or re-election is proposed to the Shareholders' Meeting.

In view of the reports and proposals prepared by the Nomination Committee, at its meeting held on 29 March 2017, which the Board of Directors fully adopts and signs, the Board of Directors believes that Mr Dahan, Mr. Manrique, Mr. Suárez de Lezo, Mr. Massanell, Mr. Marzo and Ms. Ballester and Ms. Torremocha have right skills, experience and merits for the board member positions for which they have been proposed and their extensive experience in sectors relevant to Company and the Group and their extensive knowledge in different business fields guarantees the contribution of plural views to the matters debated by the Board of Directors. The abovementioned reports and proposals of the Nomination Committee, are attached as an **Appendix** to this directors' report, that as indicated above, subscribe to and incorporate the contents of those reports.

In accordance with the provisions of art. 529 *duodecies* of the Companies , art. 32 of the Bylaws and art. 3 of the Regulations of the Board of Directors:

- Mr. Rene Dahan is considered a "*Proprietary External Director*".
- Mr. Manuel Manrique Cecilia is considered a "Proprietary External Director".
- Mr. Luis Suárez de Lezo Mantilla is considered an "*Executive Director*".
- Mr. Antonio Massanell Lavilla is considered a "Proprietary External Director".
- Ms. María Teresa Ballester Fornés is considered an "*Independent External Director*"
- Ms. Isabel Torremocha Ferrezuelo is considered an "*Independent External Director*"
- Mr. Mariano Marzo Carpio is considered an "*Independent External Director*".

Appendix

Reports and proposals by the Nomination Committee of Repsol, S.A. pertaining to appointment, ratification and re-eelection of board members submitted to approval at the next Ordinary General Meeting.

These reports and proposals (in the case of the independent directors) are prepared by the Nomination Committee of the Board of Directors of Repsol, S.A. ("Repsol" or the "Company") in accordance with Article 529 *decies* of the Companies Act and art. 12, 15 and 35 of the Board Regulations.

Pursuant to the provisions of the said art. of the Companies Act and the Board Regulations, the Board's proposals for re-election of Mr. Rene Dahan and Mr. Manuel Manrique Cecilia as *Proprietary External Directors* and Mr. Luis Suárez de Lezo Mantilla as *Executive Director*, and the ratification of the appointment by co-optation and re-election of Mr. Antonio Massanell Lavilla as *Proprietary External Director*, shall be submitted to the General Shareholders' Meeting at the proposal of the Nomination Committee.

The proposals of the Board of Directors for the appointment as Directors of Ms. María Teresa Ballester Fornés, Ms. Isabel Torremocha Ferrezuelo and Mr. Mariano Marzo Carpio, all them as *Independent External Directors*, shall be submitted to the General Shareholders' Meeting at the proposal of the Nomination Committee.

Below are the most relevant considerations regarding each board member proposed for appointment, ratification and/or re-election by the General Shareholders' Meeting:

1) Mr. Rene Dahan
Proprietary External Director

a) Summary of profile and professional experience

Information regarding the professional career of Mr. Dahan is shown below, demonstrating his skill, merits, extensive experience and expertise in various business fields.

Mr. Dahan was the former Director and Executive Vice President of ExxonMobil. He started his career with Exxon at its Rotterdam refinery in 1964. After several operating, engineering and staff assignments he was appointed manager of the 325 kbd Rotterdam Refinery in 1974.

He transferred to the European Exxon headquarters in 1976 where he was responsible for Exxon natural gas interests in Europe. After a short assignment in the corporation New York headquarters he was appointed CEO of Esso B.V., the company's affiliate responsible for all upstream and downstream interests in the Benelux countries.

In 1990, he transferred to New Jersey, USA and was appointed in 1992 President of Exxon Company International responsible for all Exxon businesses outside North America.

In 1998, he joined the Management Committee and was appointed as Director of Exxon corporation in Dallas with responsibility for the worldwide downstream and chemical business.

In 1999, he led the implementation of the merger between Exxon and Mobil and was subsequently named Executive Vice President of ExxonMobil Corporation until retired in 2002.

In the period between 2002 and 2009, he served as a director in the Supervisory Boards of VNU N.V., TNT N.V. and Aegon N.V. and the Advisory Boards of CVC (private equity) and the Guggenheim group in New York.

He resigned from the Supervisory Board of Royal Ahold N.V. on 1 October 2013 after serving as its Chairman for the past ten years.

He is a Member of the International Advisory Board of the Instituto de Empresa in Madrid and President of the Dahan Family Foundation and since 1 January 2016 he is the Charmain of the Board of Supervisors of the Dutch company NRGV Retail Nederland B.V.

Mr. Rene Dahan was appointed Director of Repsol by resolution of the General Shareholders' Meeting of 31 May 2013.

b) Complementary information

At the date of this report, Mr. Dahan is the direct owner of a total of 36,550 shares of Repsol, S.A.

As stated in the Annual Corporate Governance Report, Mr. Dahan attended all the meetings of the Board of Directors in 2016.

c) Conclusion and report by the Nomination Committee

The Nomination Committee considers that Mr. Rene Dahan has the skills, experience and merits that would be suitable for the position of Director of the Company and that he meets the requirements of trustworthiness, aptness, solvency, availability and commitment for the duties inherent to the office, allowing him to make a very positive contribution to the functioning of the Company's Board of Directors.

In regard to an evaluation of the work and effective dedication of the Director from the time he was appointed up to the present, this Committee believes that this has been proven by his

performance in his position and his informed participation in the meetings of the Board of Directors. Furthermore, based on his experience in the Repsol Group as Proprietary Director since 2013, he has in-depth knowledge of the Company and its Group, including the rules of governance.

Lastly in regard to his classification as a Director, Mr. Rene Daha was proposed at the request of the shareholder Temasek Holdings (Private) Limited and this Committee has deemed that Mr. Dahan complies with the requirements set forth in Section 3 of art. 529 *duodecies* of the Companies Act, art. 32 of the Bylaws, and art. 3.4 of the Board Regulations, and that he should therefore be classified as a *Proprietary External Director*.

Based on all of the above, the Nomination Committee hereby resolves to propose the re-election of Mr. Rene Dahan as a Proprietary External Director of the Company for a statutory term of four years, and to submit this to the consideration of the General Shareholders' Meeting.

2) Mr. Manuel Manrique Cecilia
Proprietary External Director

a) Summary of profile and professional experience

Information regarding the professional career of Mr. Manrique is shown below, demonstrating his skill, merits, extensive experience and expertise in various business fields.

Mr. Manrique is a Civil Engineering graduate from Escuela Técnica Superior, Madrid. It has a wide professional experience in construction, infrastructure concessions, services, rental property, residential development and the energy sector.

He began his professional career in the company Ferrovial. In 1987 he was one of the founding partners of Sacyr, being appointed its International Responsible in the late 90's and he was appointed Executive Director of the Construction area in 2001. In 2003, at the time of the merger of Sacyr with Vallehermoso, Mr. Manrique was appointed Chairman and CEO of the construction division and member of the Board of Directors of the new Group Sacyr Vallehermoso. In November 2004, he was appointed First Vice-Chairman and CEO of Sacyr Vallehermoso, S.A. as well as member of the Executive Committee of the Group. Since October 2011, Mr. Manrique also holds the position of Chairman of the Board of Directors of Sacyr, S.A. (formerly named Sacyr Vallehermoso, S.A.)

Mr. Manrique is also a member of the Board of Directors in other Companies of the Sacyr Group.

Mr. Manuel Manrique Cecilia was appointed a Director of Repsol by the resolution of the Board of Directors of 25 April 2013. His appointment was subsequently ratified at the General Shareholders' Meeting held on 31 May 2013.

b) Complementary information

At the date of this report, Mr. Manrique is the direct owner of 130 shares of Repsol, S.A. and indirect owner of 1,149 shares. Therefore, his total participation, direct and indirect, amounts to 1,248 shares of the Company.

As stated in the Annual Corporate Governance Report, Mr. Manrique attended all the meetings of the Board of Directors in 2016.

c) Conclusion and report by the Nomination Committee

The Nomination Committee considers that Mr. Manuel Manrique Cecilia has the skills, experience and merits that would be suitable for the position of Director of the Company and that he meets the requirements of trustworthiness, aptness, solvency, availability and commitment for the duties inherent to the office, allowing him to make a very positive contribution to the functioning of the Company's Board of Directors.

In regard to an evaluation of the work and effective dedication of the Director from the time he was appointed up to the present, this Committee believes that this has been proven by his performance in his position and his informed participation in the meetings of the Board of Directors. Furthermore, based on his experience in the Repsol Group as Proprietary Director since 2013, he has in-depth knowledge of the Company and its Group, including the rules of governance.

Lastly in regard to his classification as a Director, Mr. Manuel Manrique Cecilia was proposed at the request of the shareholder Sacyr, S.A. and this Committee has deemed that Mr. Manrique complies with the requirements set forth in Section 3 of art. 529 *duodecies* of the Companies Act, art. 32 of the Bylaws, and art. 3.4 of the Board Regulations, and that he should therefore be classified as a *Proprietary External Director*.

Based on all of the above, the Nomination Committee hereby resolves to propose the re-election of Mr. Manuel Manrique Cecilia as a Proprietary External Director of the Company for a statutory term of four years, and to submit this to the consideration of the General Shareholders' Meeting.

3) Mr. Luis Suárez de Lezo Mantilla
Executive Director

a) Summary of profile and professional experience

Information regarding the professional career of Mr. Suárez de Lezo is shown below, demonstrating his skill, merits, extensive experience and expertise in various business fields.

Mr. Suárez de Lezo is a Graduate in Law from the Complutense University and State Counsel (on leave of absence) He specialises in Company and Administrative Law.

He was Director of Legal Affairs at Campsa until the end of the oil monopoly, and has practised law on the deregulated market focusing on the energy sector.

Furthermore, Mr. Suárez de Lezo, was a member of the Board of Directors of Compañía Logística de Hidrocarburos CLH, S.A. from 2005 until 2010.

He is currently a Member of the Board at Gas Natural SDG, S.A., as well as Vice-Chairman of the Repsol Foundation. He is also a member of the Environment and Energy Commission at the International Chamber of Commerce (ICC).

Mr. Luis Suárez de Lezo Mantilla was appointed Repsol Board Member by the Board of Directors on 2 February 2005, as subsequently ratified and appointed by the General Shareholders' Meeting on 31 May 2005 and was re-elected at the General Shareholders' Meetings held on 14 May 2009 and on 31 May 2013.

b) Complementary information

At the date of this report, Mr. Suárez de Lezo is the direct owner of a total of 42,109 shares of Repsol, S.A.

As stated in the Annual Corporate Governance Report, Mr. Suárez de Lezo attended all the meetings of the Board of Directors in 2016.

c) Conclusion and report by the Nomination Committee

The Nomination Committee considers that Mr. Suárez de Lezo has the skills, experience and merits that would be suitable for the position of Director of the Company, that he meets the requirements of trustworthiness, aptness, solvency, availability and commitment for the duties inherent to the office, and that his wide experience and in-depth knowledge of the business activities carried out by the Company and the Repsol Group, which will allow him to make a very positive contribution to the functioning of the Company's Board of Directors.

In regard to an evaluation of the work and effective dedication of the Director from the time he was appointed up to the present, this Committee believes that this has been proven by his performance in his position and his informed participation in the meetings of the Board of Directors. Furthermore, based on his extensive track-record as a Director of the Repsol Group and as General Counsel, he has in-depth knowledge of the Company and its Group, including the rules of governance.

Lastly in regard to his classification as a Director, this Committee has deemed that Mr. Luis Suárez de Lezo complies with the requirements set forth in Section 1 of art. 529 *duodecies* of the Companies Act, art. 32 of the Bylaws, and art. 3.3 of the Board Regulations, and that he should therefore be classified as *Executive Director*.

Based on all of the above, the Nomination Committee hereby resolves to propose the re-election of Mr. Luis Suárez de Lezo Mantilla as Executive Director of the Company for a statutory term of four years, and to submit this to the consideration of the General Shareholders' Meeting.

4) Mr. Antonio Massanell Lavilla
Proprietary External Director

a) Summary of profile and professional experience

Information regarding the professional career of Mr. Massanell is shown below, demonstrating his skill, merits, extensive experience and expertise in various business fields.

Mr. Massanell holds a degree in Business and Economics from the Universidad de Barcelona. He served as General Manager of Resources at CaixaBank until his appointment as Deputy Chairman in June 2014. From 1971 to June 2011, he held a number of positions in Caja de Ahorros y de Pensiones de Barcelona, "la Caixa", being the last of them, the position of General Manager of Resources at CaixaBank.

He has been the non-executive Chairman of Cecabank since 2013. He also serves on the board of Telefónica, S.A. since 1995, as Director of SAREB (Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria) since 2012 and as a member of the Supervisory Board of ERSTE Group Bank since 2015.

In 2015, he was appointed Vice-President of the Board of Trustees of COTEC (the Foundation for Technological Innovation) and Chairman of the association Barcelona Centre Financer Europeu. He has also been a member of ERPB (Euro Retail Payments Board) representing ESBG

(the European Savings and Retail Banking Group) since 2014, and plenary member of the Barcelona Chamber of Commerce since 2010.

Mr. Massanell was appointed Director at Repsol by agreement of the Board of Directors meeting held on 28 September 2016,

b) Complementary information

At the date of this report, Mr. Massanell is the direct owner of a total of 10,000 shares of Repsol, S.A.

As stated in the Annual Corporate Governance Report, Mr. Massanell attended all the meetings of the Board of Directors in 2016 since his appointment.

c) Conclusion and report by the Nomination Committee

The Nomination Committee considers that Mr. Antonio Massanell Lavilla has the skills, experience and merits that would be suitable for the position of Director of the Company and that he meets the requirements of trustworthiness, aptness, solvency, availability and commitment for the duties inherent to the office, allowing him to make a very positive contribution to the functioning of the Company's Board of Directors.

In regard to an evaluation of the work and effective dedication of the Director from the time he was appointed up to the present, this Committee believes that this has been proven by his performance in his position and his informed participation in the meetings of the Board of Directors.

Lastly in regard to his classification as a Director, Mr. Antonio Massanell Lavilla was proposed at the request of the shareholder Caixabank, S.A and this Committee has deemed that Mr. Massanell complies with the requirements set forth in Section 3 of art. 529 *duodecies* of the Companies Act, art. 32 of the Bylaws, and art. 3.4 of the Board Regulations, and that he should therefore be classified as a Proprietary External Director.

Based on all of the above, the Nomination Committee hereby resolves to propose the ratification of the appointment by co-option and re-election Mr. Antonio Massanell Lavilla as a Proprietary External Director of the Company for a statutory term of four years, and to submit this to the consideration of the General Shareholders' Meeting.

5) Ms. María Teresa Ballester Fornés
Independent External Director

a) Summary of profile and professional experience

Information regarding the professional career of Ms. Ballester is shown below, demonstrating her skill, merits, extensive experience and wide-ranging expertise in various business fields.

Ms. Ballester holds an MBA from Columbia University in New York City and graduated *Cum Laude* in Finance and Political Science from Boston College.

Her career began at GTE Corporation (Verizon) in the United States as a financial executive, later joining the consulting firm Booz, Allen & Hamilton as a strategy consultant for leading multinationals in Mexico, United Kingdom, Spain and Portugal.

She has been CEO of 3i in Spain, where she developed extensive experience in the international private equity sector, leading many investments and divestments, and participating in the recruitment process of institutional investors for global funds promoted by 3i. He has also led numerous refinancing operations, IPOs and has wide-ranging experience on boards of directors of several companies, both listed and non-listed.

Between 2014 and January 2017 Ms. Ballester provided services to EY as external advisor of the Transaction Services (TAS) division to support the positioning of the firm in private equity services. She is currently the founder and managing partner of the private equity fund Nexxus Iberia I.

Ms. Ballester was also President of the Spanish Association Capital Risk Entities (ASCRI) and is currently a Director of Grupo Lar and Prisa Radio, S.A. Member of the Entrepreneurship Committee of the "Circulo de Empresarios", the Institute of Counselors and Administrators (ICA), the Women Corporate Directors (WCD), Member of the International Women's Forum (IWF) and frequently participates as a speaker at business schools and professional associations.

b) Proposal of the Nomination Committee

In accordance with the provisions of the Board Regulations, the Nomination Committee must submit proposal for the appointment of Independent External Directors to the Board of Directors. Accordingly, this Committee will evaluate the skills, knowledge and experience necessary for the Board of Directors, defining, in consequence, the functions and aptitudes necessary for the candidates to fill each vacancy, and evaluating the time and dedication required for them to undertake their tasks properly.

In accordance with the Directors Selection Policy the Nomination Committee has assessed the independence of the candidates proposed as new Independent Directors and compliance with the requirements provided for by Law, the Bylaws and the Board Regulations.

For the purpose of assessing the independence of the Ms. Ballester, the Nomination Committee has considered the provisions of the CompaniesAct and the Code of Corporate Governance of Listed Companies, as well as the policies of our major shareholders and the main proxy advisors.

Subject to the above, among other requirements, Independent Directors should not maintain any significant business relationship with Repsol, either directly or as a significant shareholder, director, or senior executive of any institution that maintains or has maintained such a relationship with Repsol.

In this regard, it has been verified that Ms. Ballester can exercise her position as Director of Repsol without being conditioned by the existence of business relations with the Company, since she is not nor has been a significant shareholder, director, or senior executive of any institution with which Repsol maintains or he has maintained a business relationship. In particular, the relationship between Ms. Ballester and EY was an external consultancy assignment that ended in January 2017, and Ms. Ballester has not had any commercial or business relationship with Repsol as consultant of EY.

In terms of her contribution of knowledge and experience to the Board of Directors, this Committee would like to highlight the training and extensive experience of Ms. María Teresa Ballester Fornés in the field of business management and, in particular the private equity sector at national and international level, in the performance of investments, disinvestments and IPOs and on the Boards of Directors of listed and unlisted companies.

Pursuant to the foregoing, the Nominations Committee considers that Ms. María Teresa Ballester Fornés has the skills, experience and merits that would be suitable for the position of Director of the Company and that she meets the requirements of trustworthiness, aptness, solvency, availability and commitment for the duties inherent to the office. Similarly, the appointment of Ms. Ballester will contribute to promoting gender diversity in the composition of the Board, in accordance the objectives laid down in Repsol Director Selection Policy.

Lastly in regard to his classification as a Director, this Committee has deemed that Ms. Ballester complies with the requirements set forth in Section 4 of art. 529 *duodecies* of the Companies Act, art. 32 of the Bylaws, and art. 3.5 and 13 of the Board Regulations and therefore, that she should be classified as an *Independent External Director*.

Based on all of the above, the Nomination Committee hereby resolves to propose appointment of Ms. María Teresa Ballester Fornés as an Independent Director of the

Company, for a statutory term of four years, and to submit this to the consideration of the General Shareholders' Meeting.

6) Ms. Isabel Torremocha Ferrezuelo
Independent External Director

a) Summary of profile and professional experience

Information regarding the professional career of Ms. Torremocha is shown below, demonstrating her skill, merits, extensive experience and wide-ranging expertise in various business fields.

Degree in Chemistry from the Universidad Autónoma of Madrid in 1989. Specialization course in Plastics and Rubber from the CSIC, Leadership Program of the IMD Bussines Scool, PDD from IESE Business School and Corporate Finance Course of the IE Business School.

Ms. Torremocha began her career at Philips Iberia, joining Andersen Consulting (currently Accenture) in 1991 where she followed her career in the Telecommunications, Media and High-Tech sector.

During her last period of tenure at Accenture, as Director of Transformation Opportunities, Ms. Torremocha spearheaded the creation and development of opportunities related to strategic large volume and complex transformation in the areas of information technology, outsourcing of business processes and digital transformation in Spain, Portugal and Africa.

She has held international positions beforehand, notably as Director of Operations in Europe, Africa and Latin America, with responsibility for the implementation of the business strategies in these regions.

She has also been responsible for diversity and equality in the division of Telecommunications, Media and High Technology for Europe, Africa and Latin America, defining plans for the fast-tracking of professional women in managerial positions and succession plans.

Ms. Torremocha has also been member of the Board of Directors of Accenture España.

b) Proposal of the Nomination Committee

In accordance with the provisions of the Board Regulations, the Nomination Committee must submit proposal for the appointment of Independent External Directors to the Board of Directors. Accordingly, this Committee will evaluate the skills, knowledge and experience necessary for the Board of Directors, defining, in consequence, the functions and aptitudes necessary for the candidates to fill each vacancy, and evaluating the time and dedication

required for them to undertake their tasks properly.

In accordance with the Directors Selection Policy the Nomination Committee has assessed the independence of the candidates proposed as new Independent Directors and compliance with the requirements provided for by Law, the Bylaws and the Board Regulations.

For the purpose of assessing the independence of the Ms. Torremocha, the Nomination Committee has considered the provisions of the Companies Act and the Code of Corporate Governance of Listed Companies, as well as the policies of our major shareholders and the main proxy advisors.

Subject to the above, among other requirements, Independent Directors should not maintain any significant business relationship with Repsol, either directly or as a significant shareholder, director, or senior executive of any institution that maintains or has maintained such a relationship with Repsol.

In this regard, it has been verified that Ms. Torremocha can exercise her position as Director of Repsol without being conditioned by the existence of business relations with the Company. It should be noted that Ms. Torremocha has occupied, until December 2016, various positions at Accenture, an entity with which Repsol maintains business ties. In addition to the fact that Ms. Torremocha ceased her relationship with that company last year and has not had any previous trade or business business relationship with Repsol during at her time at Accenture, in order to assess the relevance of the ties with Repsol, the Nomination Committee has considered all the facts and circumstances and concluded that the relationship between the Repsol Group and the Accenture Group relationships are not material, given that the value of the transactions between the two business groups during the fiscal year 2016, both in Spain and globally, has represented less than 1% of the total turnover of the Repsol Group and the Accenture Group respectively.

In terms of her contribution of knowledge and experience to the Board of Directors, this Committee would like to highlight the training and experience of Ms. Isabel Torremocha Ferrezuelo in the industry of technology and their different applications.

Pursuant to the foregoing, the Nominations Committee considers that Ms. Isabel Torremocha Ferrezuelo has the skills, experience and merits that would be suitable for the position of Director of the Company and that she meets the requirements of trustworthiness, aptness, solvency, availability and commitment for the duties inherent to the office. Similarly, the appointment of Ms. Torremocha will contribute to promoting gender diversity in the composition of the Board, in accordance the objectives laid down in Repsol Director Selection Policy.

Lastly in regard to his classification as a Director, this Committee has deemed that Ms.

Torremocha complies with the requirements set forth in Section 4 of art. 529 *duodecies* of the Companies Act, art. 32 of the Bylaws, and art. 3.5 and 13 of the Board Regulations and therefore, that she should be classified as an *Independent External Director*.

Based on all of the above, the Nomination Committee hereby resolves to propose appointment of Ms. Isabel Torremocha Ferrezuelo as an Independent Director of the Company, for a statutory term of four years, and to submit this to the consideration of the General Shareholders' Meeting.

7) Mr. Mariano Marzo Carpio
Independent External Director

a) Summary of profile and professional experience

Information regarding the professional career of Mr. Marzo is shown below, demonstrating her skill, merits, extensive experience and wide-ranging expertise in various business fields.

Bachelor's degree in geology from the University of Barcelona. PhD in geological sciences.

Mr. Marzo has been Professor of Stratigraphy, Energy Resources and Petroleum Geology in the Geology Department of the University of Barcelona since 1989, from where he has worked as a researcher, academic, columnist and lecturer.

Mr. Marzo has worked in Europe, the United States, South America, the Middle East and North Africa, and is a member of the American Association of Petroleum Geologists and the European Association of Petroleum Geoscientists & Engineers. He is also a member of the Advisory Board of the *Club Español de la Energía* [Spanish Energy Cub] and was the head of Section 4 (Earth Sciences) of the *Reial Acadèmia de Ciències i Arts de Barcelona* [Royal Academy of Sciences and Arts of Barcelona].

Mr. Marzo has also served on several advisory boards on energy for central and regional government and other bodies, and maintains an ongoing relationship with the oil and gas industry through applied research on the exploration and sedimentological characterisation of sites.

Mr. Marzo has also been a member of the editorial boards of internationally renowned magazines in the field of geology, such as Basin Research, Geology and Sedimentology, published several papers and delivered a large number of lectures. His work in education was recognised in 2014 when he was awarded the *Distinción de la Universidad de Barcelona a las Mejores Actividades de Divulgación Científica y Humanista* [University of Barcelona Award for Best Contribution to Scientific and Humanist Education].

b) Proposal of the Nomination Committee

In accordance with the provisions of the Board Regulations, the Nomination Committee must submit proposal for the appointment of Independent External Directors to the Board of Directors. Accordingly, this Committee will evaluate the skills, knowledge and experience necessary for the Board of Directors, defining, in consequence, the functions and aptitudes necessary for the candidates to fill each vacancy, and evaluating the time and dedication required for them to undertake their tasks properly.

In accordance with the Directors Selection Policy the Nomination Committee has assessed the independence of the candidates proposed as new Independent Directors and compliance with the requirements provided for by Law, the Bylaws and the Board Regulations.

For the purpose of assessing the independence of the Mr. Marzo, the Nomination Committee has considered the provisions of the Companies Act and the Code of Corporate Governance of Listed Companies, as well as the policies of our major shareholders and the main proxy advisors.

In this regard, it has been verified that Mr. Marzo can exercise his position as Director of Repsol without being conditioned by the existence of business relations with the Company, since she is not nor has been a significant shareholder, director, or senior executive of any institution with which Repsol maintains or he has maintained a business relationship.

In terms of her contribution of knowledge and experience to the Board of Directors, this Committee would like to highlight the training and extensive experience of Mr. Mariano Marzo Carpio in the field of energy and, in particular in the field of geology and exploration activities, being one of the leading Spanish experts in this field.

Pursuant to the foregoing, the Nominations Committee considers that Mr. Mariano Marzo Carpio has the skills, experience and merits that would be suitable for the position of Director of the Company and that she meets the requirements of trustworthiness, aptness, solvency, availability and commitment for the duties inherent to the office.

Lastly in regard to his classification as a Director, this Committee has deemed that Mr. Marzo complies with the requirements set forth in Section 4 of art. 529 duodecies of the Companies Act, art. 32 of the Bylaws, and art. 3.5 and 13 of the Board Regulations and therefore, that he should be classified as an Independent External Director.

Based on all of the above, the Nomination Committee hereby resolves to propose appointment of Mr. Mariano Marzo Carpio as an Independent Director of the Company, for a statutory term of four years, and to submit this to the consideration of the General Shareholders' Meeting.

Report by the Board of Directors on the resolution proposal related to point sixteenth on the Agenda ("Advisory vote on the Repsol, S.A. Annual Report on Directors' Remuneration for 2016")

Pursuant to Article 541.4 of the Companies Act, the Repsol, S.A. Annual Report on Directors' Compensation 2016 is submitted to an advisory vote by the Shareholders, as a separate point on the agenda.

This report was approved by the Board of Directors on 22 February 2017, upon recommendation by the Compensation Committee, which received independent counselling from Willis Towers Watson, a firm specializing in compensation for directors and senior executives.

The Repsol, S.A. Annual Report on Directors' Compensation 2016 is available for consultation by shareholders on the Company's website (www.repsol.com) and at the registered office, situated at Calle Méndez Álvaro nº 44, 28045 Madrid, where shareholder may also request a copy in hand or delivered free of charge to any address they may indicate.

Report by the Board of Directors on the resolution proposal related to point seventeenth on the Agenda ("Implementation of a compensation system referred to the share value for the CEO of the Company")

The Company's Board of Directors has approved, following a proposal of the Compensation Committee and within the framework of the Directors Remuneration Policy for years 2015, 2016 and 2017 approved by the General Shareholders' Meeting on April 30, 2015, to establish a compensation system tied to the value of Repsol's stock on the Continuous Market for the CEO of the company Mr. Josu Jon Imaz San Miguel, as one of the elements of his annual variable remuneration for 2017. Its implementation requires, in accordance with the provisions of the Spanish Companies Act and Repsol's Bylaws, submission to approval of the General Shareholders' Meeting.

The purpose of this system is to align the interests of shareholders with the interests of the CEO, establishing a relationship between his pay and the evolution of Repsol's stock, so that part of that remuneration would be determined by the behavior of Repsol in the market.

As regards the methodology of this remuneration system, the level of compliance would be determined by the evolution Repsol's share compared to a benchmark consisting of five listed international oil companies (Total S.A., Royal Dutch Shell p.l.c., BP p.l.c., ENI S.p.A. and OMV Aktiengesellschaft). To this end, as stated in the proposal submitted to the General Shareholders meeting, the comparable information will consider the average daily closing quote (arithmetic mean) of the month of December 2017 and its evolution in respect of the average daily closing quote (arithmetic mean) corresponding to December 2016 of said companies, that was the following: Total, S.A. 47.15 euros, Royal Dutch Shell, p.l.c. 25.45 euros, BP p.l.c. 486.33 British pence, ENI S.p.A. 14.73 euros, OMV Aktiengesellschaft 32.76 euros and Repsol 13.25 euros.

The level of achievement of the objective, measured as the percentage evolution of the share price between the arithmetic mean at the close of December 2016 and the arithmetic mean at the close of December 2017, will be calculated in accordance with the following table:

Comparison Position	Achievement Level
5th to 6th position	0%
4th Position	50%
3rd Position	80%
2nd Position	100%
1st Position	120%

In any case, in accordance with the Remuneration Policy 2015-2017, the degree of overall achievement of the objectives to which the annual variable remuneration of the CEO is linked cannot be greater than 100%. Therefore, in the event that, in accordance with the aforementioned rule, the variation in the Repsol share price were to determine that Repsol must occupy 1st position in the comparison group and, therefore, the level of fulfilment of the objective referred to in this proposal were 120%, it would be possible to compensate the additional 20% with the fulfilment percentages relating to other objectives to which the variable remuneration of the CEO is linked when these are below 100% without, when said compensation is possible, proceeding to pay amounts greater than 100% objective fulfilment.

This remuneration system would have a weight of 10% on Mr. Imaz's whole annual variable remuneration for 2017 and the corresponding amounts payable to the CEO under the aforementioned system shall be paid entirely in cash.

Finally, without this preventing that generally provided for in point twenty first of the agenda, it is proposed to expressly empower the Board of Directors for the implementation of the resolution proposed to the Meeting under point seventeenth of the agenda. In particular, the Board of Directors is empowered to make the necessary calculations, and to specify and interpret, in all matters necessary or convenient, the rules provided for and the content of the documentation to be used, as well as to complete any actions and sign any documents that are necessary or convenient. In any case, the resolutions of the Board of Directors will be adopted, as appropriate, with the proposal or prior report of the Compensation Committee.

Report by the Board of Directors on point eighteenth of the Agenda ("Approval, if appropriate, of the inclusion of a target related to the performance of total shareholder return in the 2017-2020 Long Term Multi-Year Variable Remuneration Plan").

In accordance with article 219 of the Spanish Companies Act (*Ley de Sociedades de Capital*) and article 45 of the Company Bylaws, and given that if the proposal is approved, the remuneration system for the Company's executive directors will be partially tied to Repsol share price performance, the Board of Directors proposes to the General Meeting to include a target tied to total shareholder return ("**Total Shareholder Return**" or "**TSR**") of the Company among the targets or parameters of the Long Term Multi-Year Variable Remuneration Plan for the period of 1 January 2017 to 31 December 2020 ("**IMP 2017-2020**").

In accordance with the Directors' Remuneration Policy for 2015, 2016 and 2017, approved by the General Shareholders' Meeting of 30 April 2015, the long term remuneration plans implemented by Repsol aim to bolster the commitment of Executive Directors and other beneficiaries and, in turn, foster the creation of sustainable value for the shareholder in the long term. In this context, it is proposed to include a new metric tied to the Company's TSR, commonly included among long term remuneration plan targets.

In particular, it is proposed for this metric to have 10% weight on the total multi-annual variable remuneration for the IMP 2017/2020 and, in particular, will measure the relative performance of Repsol's TSR in the indicated period 2017-2020 in relation to the TSR of a benchmark group of five international oil companies (the "**Benchmark Group**"). A level of compliance will be allocated according to the relative position of the Repsol TSR against the Benchmark Group, which will be determined according to the following table:

Repsol TSR	Level of compliance
1 or 2	100%
3	75%
4	25%
≥ 5	0%

As stated in the proposed resolution, "TSR" will be understood as the difference (expressed as a percentage relationship) between the final value of an investment in ordinary Repsol shares and its initial value in the considered period, taking into account that the calculation of final value will include dividends or other similar gross amounts (such as the Repsol Flexible Dividend programme) received by the shareholder for the investment during the corresponding period, as if there had been an investment of more shares of the same type on the first date on which the dividend or similar becomes due to shareholders and the closing price on the said date. The TSR will be obtained using the Bloomberg tool function

Cumulative_Tot_Return_Gross_DVDS (or similar should this be unavailable), taking as a reference the average value for the month of December of each appraisable year and, for each company of the Benchmark Group and Repsol, adjusting the resulting TSR by the percentage variation of the benchmark index of each market.

The Benchmark Group shall be formed of the following companies: Total S.A., Royal Dutch Shell p.l.c., BP p.l.c., ENI S.p.A. and OMV Aktiengesellschaft.

Pursuant to the explanation given in the proposal of point twenty of the agenda, the amount due to Executive Directors will be paid 70% in cash and 30% in shares. Likewise, pursuant to the resolution already approved by the Board of Directors, the TSR metric will be applied in the same way and in the same percentage of 10% for the calculation of the IMP 2017-2020 multi-year variable remuneration for beneficiaries of the said Plan other than the Executive Directors (currently the CEO and the General Counsel-Director).

Lastly, the proposed resolution includes a general clause for delegation of powers, in the sense that the Board of Directors, without prejudice to its remuneration authorities under the Company Bylaws and other applicable internal regulations, may implement the resolution and define its rules as far as necessary, perform the necessary calculations and produce other documentation to be used.

Report by the Board of Directors on the proposed resolution concerning point nineteenth of the Agenda ("Approval, if appropriate, of the delivery of shares to the Executive Directors as partial payment of their remuneration under the Long Term Multi-Year Variable Remuneration Plan.")

In accordance with article 219 of the Spanish Companies Act (*Ley de Sociedades de Capital*) and article 45 of the Company Bylaws, in respect of a remuneration system that includes the delivery of shares to executive directors of the Company, the Board of Directors proposes to the General Shareholders Meeting the amendment of Repsol's multi-year variable remuneration programmes already approved by the Board of Directors, so that part of the amount payable to Executive Director beneficiaries of such programmes are paid through the delivery of Company shares.

Specifically, the proposed amendments will be applicable to all long term multi-year variable remuneration plans currently in force approved by the Board of Directors (the "**Plans**"). These Plans are:

- Long Term Variable Remuneration Plan 2014-2017
- Long Term Variable Remuneration Plan 2015-2018
- Long Term Variable Remuneration Plan 2016-2019
- Long Term Variable Remuneration Plan 2017-2020

The amendment proposed to the General Shareholders' Meeting consists of part of the multi-year variable remuneration due to Executive Directors (currently the CEO and the General Secretary-Director) being paid through the delivery of Repsol shares. For each Plan it is proposed that the amount of the multi-year variable remuneration for each of the Executive Directors be paid on the same dates originally schedule, but in the following proportion:

- 70% of the total will be paid in cash.
- 30% of the total will be paid in Company shares.

The Executive Directors may not transfer the Company shares delivered or directly or indirectly hedge them for one year following each share award. Likewise, shares may not be directly or indirectly hedged prior to their delivery.

In accordance with the amount of the Long Term Variable Remuneration envisaged in the Remunerations Policy 2015-2017, the maximum multi-year variable remuneration for Executive Directors in each of the Plans currently in force and mentioned above is as follows:

- Managing Director: 1,377,000 euros for the Long-Term Variable Remuneration Plan 2014-2017 and 1,728,000 euros for the remaining Plans.
- General Secretary-Director: 982,975 euros.

The final number of shares to be delivered to the Executive Directors in each year of the Plan will be calculated taking into account: (i) the amount of the multi-year variable remuneration that is effectively payable to each Director following application of the corresponding taxes (or withholdings); and (ii) the weighted average for the daily volume of average weighted Repsol share prices in the fifteen trading sessions before the Friday of the week preceding the date on which the Board of Directors agrees payment of the multi-year variable remuneration for Executive Directors in each of the Plans (the "**Benchmark Price**").

Following such calculation, the maximum amount payable in Company shares across all four Plans is 3,147,870 euros (30% of the maximum total aggregate amount payable to Executive Directors under the four indicated plans), corresponding to a maximum of 707,992.50 for the Long-Term Variable Remuneration Plan 2014-2017 and a maximum of 813,292.50 euros for each of the remaining Plans (each of these caps in relation to each Plan, the "**Share Distribution Cap per Plan**"). With respect to the foregoing, the maximum number of Repsol shares that may be issued to Executive Directors under this resolution in each of the four Plans ("**Share Limit**") will be determined by application of the following formula, following deduction of corresponding taxes (or withholdings):

$$\text{Share Limit} = \frac{\text{Share Distribution Cap per Plan}}{\text{Benchmark Price}}$$

The formula and criteria to determine the maximum number of shares will also be applicable to any long-term variable remuneration plans similar to those indicated that the Board may agree to implement up to and including the 2020 financial year, in which the Executive Directors must receive a percentage of variable remuneration accrued in the form of Company shares, with the "Share Distribution Cap per Plan" being 30% of the maximum multi-year variable remuneration available to the Executive Directors under each plan, in accordance with the limits established in the Directors' Remuneration policy of Repsol, S.A. for the 2018-2010 period

Lastly, and as a natural consequence of the inclusion in the Plan of the Company share delivery, the proposal will include the following additional conditions and rules:

- If necessary or appropriate for legal, regulatory or other similar reasons, or as a result of the early settlement of Plans in the corresponding cases in accordance with their general conditions, delivery mechanisms indicated may be adapted on a case by case basis, without changing the Plan caps or the core conditions of accrual of the multi-year variable remuneration. These adaptations may include replacing share awards with a cash payment of an equivalent value or vice versa, when so required by regulations or similar.
- Share price will be determined by taking the corresponding data from the stock market.

- The Company shares to be delivered to Executive Directors may be owned by the Company or any of its affiliates, or be new shares or shares acquired from third parties under agreements entered into to cover the obligations assumed.

Changes to the Plans will not affect the remaining terms and conditions approved by the Company Board of Directors and, in particular, will in no way change the provision of the Plans that, in the event of the Company having to perform a material reformulation of its financial statements in a way that affects the level of compliance of targets in each Plan, the beneficiary shall return the affected part of the multi-year variable remuneration (except where arising due to a change in accounting rules).

Likewise, the Company shares delivered to the Executive Directors under the Plans may be included for the purpose of the share investment envisaged in the Beneficiaries' Share Purchase Plan for Multi-Year Variable Remuneration Programmes approved by the Company's General Shareholders' Meeting of 15 April 2011 under point fourteen of its agenda (with respect to cycles one to five) and by the General Shareholders' Meeting of 20 May 2016 under point seven of its agenda (with respect to cycles six to ten).

Lastly, the proposed resolution includes a general clause for delegation of powers, in the sense that the Board of Directors, without prejudice to its remuneration authorities under the Company Bylaws and other applicable internal regulation, may implement the resolution and define its terms as far as necessary and the content of contracts and other documentation to be used. The General Shareholders' Meeting will also authorise the Board of Directors to delegate such powers, pursuant to article 249.2bis.l) of the Companies Act.

Report by the Board of Directors on the resolution proposal related to point twentieth on the Agenda ("Examination and approval, if appropriate, of the Remuneration Policy for Directors of Repsol, S.A. (2018-2020)")

With regard to this point on the Agenda, the Board of Directors refers to the Report on the Remuneration Policy for Directors issued by the Compensation Committee on 29 March 2017 and proposes approving the Remuneration Policy for Directors of Repsol, S.A., in line with the best good governance practices, the policy of maximum transparency to which the Company is committed and in response to the regulatory framework in this matters.

The Remuneration Policy for Directors of Repsol, S.A. is available to shareholders, together with the report of the Compensation Committee on the Remuneration Policy of the Board of Directors of Repsol, S.A., on the Company´s website (www.repsol.com) and at the registered office, located in Madrid, Street Méndez Álvaro 44 (28045), where they can also request their free delivery to any address they may indicate.

Report by the Board of Directors on the resolution proposal related to point twenty-first on the Agenda ("Delegation of powers to interpret, supplement, develop, execute, rectify and formalize the resolutions adopted by the General Shareholders' Meeting")

This is the usual resolution granting to the Board of Directors the ordinary powers to execute the resolutions adopted at the Shareholders' Meeting, including the power to file the Annual Accounts and have the necessary resolutions entered in the Trade Register.

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