

**ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS IN LISTED
COMPANIES**

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REPSOL, S.A.

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ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS IN PUBLICLY TRADED COMPANIES

A CORPORATE REMUNERATION POLICY FOR THE CURRENT YEAR

- A.1 Explain the corporate remuneration policy. This section will include information on:
- General principles and foundations of the remuneration policy.
 - Most significant changes in the remuneration policy applied during the previous year and changes made during the year to the conditions for the exercise of previously awarded options.
 - Criteria used to establish the corporate remuneration policy.
 - Relative importance of variable remuneration items in comparison to fixed items and the criteria used to determine the components of the directors' remuneration package (remuneration mix).

Explain the remuneration policy

General principles and grounds

The principle defining the Repsol remuneration policy is the pursuit of reciprocal general of value for employees and for the Group, and alignment of their interests with shareholders in the long terms, ensuring total transparency.

The principles followed when fixing remuneration of Directors for their duties as such and for the performance of their executive duties, including the importance of variable remuneration concepts with respect to fixed ones, together with the criteria used to established the company's remuneration policy, are contained in the remuneration policy that the Board of Directors (BoD) plans to submit to the General Shareholders Meeting. Said principles are compliant with the new article 217.4 of the Companies Act (*Ley de Sociedades de Capital*), on appropriateness to the size and relevance of the business, its economic situation, comparability, profitability and sustainability, and on not assuming excessive risk or not rewarding negative results.

Summarized below are the principles of the remuneration policy for Executive Directors and Directors in their position as such:

1) Remuneration of Executive Directors:

- Ensure that the structure and overall amount of the compensation complies with the best practices and is competitive.
- Establish compensation based on objective criteria related with individual performance and achievement of the Company's and Group's business goals.
- Maintain an annual variable component conditional upon the fulfilment of specific, quantifiable objectives aligned with corporate interests, with control and measurement systems to determine the variable remuneration to be received based on individual performance.
- Incorporate multi-year variable remuneration to encourage the sustained achievement of goals and to retain key persons linked to those goals.
- Maintain an adequate balance among the different components of the pay package, in line with the best practices worldwide.
- Ensure alignment with shareholders' interests by encouraging the holding of shares.

g) Keep the remuneration policy of the Executive Directors in line with that of the Senior Executives.

2. Directors' compensation in their condition as such:

- a) Sufficient and adequate remuneration to reward the Directors' devotion, qualification and responsibilities, without compromising their independence.
- b) Market rate remuneration, for which remuneration in comparable entities will be taken into account.

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

After considering different forms and aspects of corporate governance practices and surrounding best practices, in April 2014 the BoD approved a new organizational structure to include the planned and orderly separation of offices between the Chairman of the Board of Directors and the Chief Executive Officer (CEO). In order to consolidate the new model for division of duties, it was deemed highly appropriate to the interest of the Company, to have the experience and special knowledge of Mr. Brufau in this area, to the extent that the CEO would undertake the ordinary Management of the Company's business matters, and the Chairman of the BoD would maintain certain additional executive functions, in addition to performing the duties inherent to his role

As a result of these organizational changes, on 30/04/2014, at the proposal of Mr. Brufau and the Nomination and Compensation Committee (NCC), the BoD approved the adaptation of Mr. Brufau's contractual conditions to his new position, which entailed the reduction of his remuneration and severance in the event of early contractual termination, as described in Section C of this Report.

During this financial year the Company plans to prepare a remuneration policy, developing all these principles as set out in article 529 *novodecies* of the Companies Act, and to submit it to the vote of the General Shareholders Meeting.

Criteria for the establishment of the remuneration policy:

When establishing the BoD policy, further to the proposal of the Nomination and Compensation Committee, considers the provisions of the Bylaws and the Board of Directors Regulations, the objectives of the Strategic Plan which enable, among others, to establish the metrics to which the variable remuneration is linked; and market data and guidelines from investors and proxy advisors. For more information please see Section A.2.

Remuneration mix

Directors' compensation in their condition as such consists entirely of non-variable components. The pay package of Executive Directors consists of one non-variable component, one short-term variable component and one long-term variable component in cash.

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

In a standard scenario with regard to the achievement of targets, the non-variable

remuneration for the CEO would account for 37% of the total remuneration (non-variable, annual variable and long-term variable) and the variable remuneration 63% (53% short term and 47% long term approximately). For the General Counsel the non-variable remuneration would account for 40% and the variable remuneration 60% (55% short term and 45% long term).

In the scenario of the Chairman, there has been no variable remuneration since 01/05/2014 in order to uphold the independence of oversight duties.

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

Explain the process for determining the remuneration policy

Preparatory work and decision-making process:

The BoD and the Nomination and Compensation Committee regularly review the principles and criteria of Directors' remuneration policy, in order to keep it in line with best practices and market trends.

As part of this review process, in 2014 the Nomination and Compensation Committee sought the independent, specialist advisory services of Towers Watson for benchmarking the pay level and structure of the CEO. The groups of comparison taken to such end were the IBEX35 and the FTSE EuroTop100, according to the following criteria:

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

b) Sufficient number of companies for the resulting statistics to be sound and representative: b.1) IBEX35 is made up of the 35 companies with the highest liquidity quoted in the *Sistema de Interconexión Bursátil Electrónico* (SIBE) [automated trading system] on the four Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia). Repsol is excluded from this group, since it is the subject of comparison, as is Arcelor Mittal, whose Board of Directors is based outside Spain; b.2) EuroTop100 is made up of the 100 "blue chip" with the largest market capitalization in Europe. Repsol is excluded from this comparison, because it is the subject of comparison, as is H&M, as its CEO receives almost his entire remuneration through dividends or capital gains.

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

In comparison with EuroTop100, Repsol is at the 75th percentile in turnover and around the 25th percentile in market capitalization. The total compensation of the CEO is in the 25th percentile.

In view of the results of this analysis, and taking into account other factors, the

Committee as proposed to the Board that no increase be made on the non-variable remuneration of the CEO for the 2015 financial year.

Work carried out by the Nomination and Compensation Committee:

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

During 2014, the Nomination and Compensation Committee met on 3 occasions, with an attendance rate of 100%. At those meetings, the Committee debated, among others, on the following matters:

- a) Approval of Directors' remuneration for their duties as such for 2014;
- b) Approval of the new executive organizational chart, with the subsequent selection and appointment of a CEO;
- c) Proposal and adaptation of the contractual conditions of the Chairman of the Board of Directors; settlement of annual and multi-annual variable remuneration;
- d) Proposal and approval of the CEO's contractual conditions and pay package;
- e) Approval of the non-variable remuneration of the Executive Directors for 2014;
- f) Appraisal and approval of the annual variable remuneration of Executive Directors for results achieved in 2013.
- g) Appraisal of fulfilment of the targets set in the MTI multi-annual variable remuneration programme 2010-2013;
- h) Approval of the new MTI multi-annual variable remuneration programme 2014-2017;
- i) Setting of targets for the annual variable remuneration of Executive Directors;
- j) Approval of the Annual Remuneration Report for 2013.

During 2015, until the date of publication of this report, the Nomination and Compensation Committee has met twice to discuss the following aspect, among others:

- a) Approval of the remuneration of Directors for their collegiate supervision and decision making duties for 2015;
- b) Approval of the new MTI multi-annual variable remuneration programme 2015-2018;
- c) Appraisal of fulfilment of targets set in the MTI multi-annual variable remuneration programme 2011-2014;
- d) Assessment and approval of the CEO's and General Counsel's annual variable remuneration for the results achieved in 2014.
- e) Approval of Executive Directors' non-variable remuneration for their executive duties for 2015.
- f) Approval of this Annual Report on Remuneration.

Composition of the remuneration committee:

All members of the Nomination and Compensation Committee are Outside or Non-Executive Directors, three (3) of whom are Independent and the other two (2) Institutional. All the Committee members have extensive experience and expertise in the duties to be performed. At December 31, 2014, the composition of the Nomination and Compensation Committee is as follows:

Artur Carulla Font, Chairman, Independent

Mario Fernández Pelaz, Member, Independent
María Isabel Gabarró Miquel, Member, Independent
José Manuel Loureda Mantiñán, Member, Institutional
Juan María Nin Génova, Member, Institutional

Additionally, Mr. Carulla has been fulfilling the duty of Independent Coordinator Director since 2011, in line with international good governance best practices.

The main duties of the Nomination and Compensation Committee include submitting a proposed BoD remuneration policy to the latter, in which it will assess the responsibility, dedication and incompatibilities required of Directors and Executive Directors under the performance of their executive duties, and other contractual conditions, and the remuneration policy for Senior Executives.

External Advisors

In 2014, Towers Watson, independent advisers specializing in director and senior executive compensation, has counselled the Nomination and Compensation Committee on the preparation of this remuneration report and on the preparation of benchmarking for the CEO's remuneration.

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

Explain the fixed components of the remuneration

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

According to Article 45 of the Bylaws and pursuant to the resolution passed by the General Meeting on May 31, 2013 the current annual ceiling to remunerate members of the BoD for the performance of the collegiate supervisory and decision-making duties inherent to said body is 6 million euros. The BoD has the power to decide on the exact sum to be paid within that limit and how it is to be distributed among the Directors, taking account of the positions they hold and their participation in the different Committees.

Directors receive a non-variable remuneration for their collegiate supervisory and decision-making duties. This remuneration is calculated by assigning points (which represent pay amounts) for sitting on the BoD or its different Committees, according to the corresponding dedication and responsibilities.

The points table is as follows:

- Board of Directors: 2
- Delegate Committee: 2
- Audit and Control Committee: 1

- Nomination and Compensation Committee: 0.5
- Strategy, Investment and Corporate Social Responsibility Committee: 0.5

Non-executive directors do not participate in long term incentives plans or in welfare schemes.

On 25 February 2015 the BoD resolved, upon recommendation by the Nomination and Compensation Committee, to maintain the value of the point in 2015 at the amount set for 2014, i.e. 88,297.11 euros gross/year.

In this way, remuneration for membership of the Board of Directors has risen 2.5% since 2009.

Non-variable remuneration of the Executive Directors for their executive duties:

The non-variable remuneration of the Executive Directors for their executive duties is established in consideration of their responsibilities, ensuring that it is competitive with those of Repsol's peers. Also taken into consideration are Company results, market data and remuneration conditions in the organization. This remuneration is regularly analyzed.

At a meeting held on 25 February 2015 and upon recommendation by the Nomination and Compensation Committee, the BoD resolved to maintain the Executive Directors' non-variable remuneration for 2015 at the same levels as on 31/12/2014, i.e., 2,500 thousand euros for the CEO and 983 thousand euros for the General Counsel.

Non-variable remuneration of the Executive Directors as members of the Board of other companies of the Group:

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

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

In particular:

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

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

- Indicate any payments made under profit-sharing or bonus schemes, and the reason why they were granted.
- Explain the basic parameters and grounds for any annual bonus scheme.

- The types of directors (executive directors, external directors, independent directors or other external directors) that are beneficiaries of remuneration systems or plans that incorporate a variable remuneration.
- The foundations of such variable remuneration systems or plans, the criteria chosen to assess performance as well as the components and assessment methods to determine whether the criteria have been met or not, and an estimate of the total amount of variable remuneration that would result from the current compensation plan, as a function of the degree to which targets or benchmarks have been met.
- Where appropriate, give information on deferral periods or deferral of payment established and/or holdback periods for shares or other financial instruments, if any.

Explain the variable components of the remuneration systems
<p>Non-executive Directors are excluded from the variable remuneration systems (See A.3).</p> <p>1) Annual variable remuneration: Values the contribution of the CEO and the General Counsel to incentive fulfilling pre-set, specific, quantifiable objectives.</p> <p>The targets, metrics and weightings for the <u>2015 annual variable remuneration of the CEO</u> are: a) Targets relating to the integration with Talisman (30% weight) and metrics relating to the integration process and the new Strategic Plan 15-19; b) Operational targets (50% weight) and metrics linked to adjusted profit, financial rating, production, conversion capacity use, Capex E&P efficiency and GO Programme c) Sustainability targets (10% weight) and metrics linked to the frequency index of accidents, the Sustainability Plan; and d) Value creation targets (10% weight) and the metric of net profit development vs. comparable companies.</p> <p>Each metric is related with a performance level established depending on its variation and the level of requirement of the objective. Each metric has a minimum performance level under which it does not generate the right to receive variable remuneration and a maximum performance level of 120%, if the degree of overall achievement of targets to be set by the Nomination and Compensation Committee is no greater than 100%.</p> <p>In the case of the <u>General Counsel</u>, the variable remuneration plan considers the targets relating to the areas under their responsibility.</p> <p>After year-end, the Nomination and Compensation Committee makes an assessment considering the information provided by the ED Strategy, Control, Resources and People and Organization on the different categories of objectives and the results obtained. In order to guarantee that annual variable income is effectively related to the professional performance of beneficiaries, when determining the level of compliance with quantitative targets, positive or negative economic effects resulting from overtime, which may distort appraisal results, are removed.</p> <p>An average weighted fulfilment level is calculated according to the level of fulfilment of each objective and its weighting. The amount of the annual variable remuneration for the CEO may vary between 0%, if overall fulfilment does not rise above a minimum threshold, and 100% of the non-variable remuneration, if overall fulfilment of the objectives is 100%. The annual variable remuneration for the General Counsel may vary between 0% and 90% of his non-variable remuneration. The conditions of the system are reviewed every year by the Nomination and Compensation Committee taking account of Repsol's strategy, needs and business situation.</p>

2) Multi-year variable remuneration: The Company has several long-term monetary incentive plans for its executives, including the CEO and the General Counsel. The programmes are independent of one another, but their main characteristics are the same. They are schemes structured into overlapping cycles of 4 years, and are linked to the fulfilment of targets and commitments established in the Strategic Plan, directly aligned with shareholders' interests.

In 2015, the MTI 2015-2018 was launched, whose objectives, weightings and metrics of which will be defined before year ends, once the new Strategic Plan 2015-2019 has been approved, including Talisman Energy, Inc.

Each metric is linked to an achievement scale defined according to its variability and degree of demand of budgets. These scales have a minimum fulfilment threshold, under which there is no entitlement to incentive, and a maximum of 100%

The Nomination and Compensation Committee determines every year the weightings of the objectives and associated metrics, taking account of Repsol's strategy. To determine the incentive, the Nomination and Compensation Committee considers the overall degree of fulfilment of the programme, as well as the personal performance of the beneficiary. For the CEO, the amount of multi-annual variable remuneration can vary between 0% if joint fulfilment over the minimum threshold is not reached, and 120% of non-variable remuneration if the joint fulfilment of targets is 100%. For the General Counsel, multi-annual variable remuneration can vary between 0% and 100% of non-variable remuneration.

With respect to the CEO, the BoD may moderate the final quantitative results of annual and multi-year remuneration at its discretion by up to 20% upwards or downwards, according to the quality of results, individual performance or other matters requiring qualitative measurement.

3) Loyalty Incentive Scheme: This is aimed at certain groups of employees, including the CEO and the General Counsel. Its aim is to foster the alignment with the long-term interests of the shareholders and the Company. It is structured through a stock purchase plan with several cycles approved at the General Shareholders' Meeting on April 15, 2011 which allows its beneficiaries to invest a maximum sum in Repsol shares, such that if they hold the shares for 3 years, remain in the Group and meet the other conditions, at the end of the period the Company will give them 1 additional share for every 3 shares originally acquired.

To simplify the structuring of the Scheme in respect of determining its beneficiaries and the maximum amount they are entitled to invest, the multi-year variable remuneration MTI programmes have been taken as reference, such that only the participants in the multi-year remuneration programmes can be beneficiaries of the Loyalty Incentive Scheme and the maximum amount that may be invested in the is equivalent to 50% of the gross amount of the multi-year incentive received by each beneficiary. This Plan has a clawback clause.

On 31/05/2015, the consolidation period of the 2nd Cycle of the Loyalty Scheme (2012-2015) is expected to be completed, which the Chairman, the CEO and the General Counsel participate in.

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

Explain the long-term savings systems
<p>Non-executive Directors:</p> <p>Non-executive Directors do not participate in any long-term savings system.</p> <p>Executive Directors:</p> <p>At the request of the Chairman, on 12 March 2013 the Company stopped making contributions to his welfare scheme to cover retirement, thus ceasing the commitment assumed in this respect.</p> <p>The CEO participated in the Group's Senior Executives Retirement Scheme, under the condition set out in Regulations. According to these, annual contributions for retirement are approximately equivalent to 20.5% of non-variable remuneration.</p> <p>The General Counsel participates in a deferred remuneration scheme, the "Permanence Reward", which is intended to reward him for remaining in the Repsol Group and is structured through the investment fund called "<i>Fondo de Permanencia, F'</i>", to which Repsol makes annual contributions in a sum equivalent to 20% of the General Counsel's annual non-variable remuneration and in exchange receives units in the Fund. Those units are owned by Repsol until the General Counsel retires, whereupon the vested right will be transferred to him, together with the title. He will also be entitled to the cumulative amount of the Permanence Reward upon termination of his contract, entitling him to compensation.</p> <p>The General Counsel is also unit-holder of a defined contribution company pension scheme of Repsol, the maximum contribution to which is set by collective agreement at 7 thousand euros a year.</p> <p>With respect to the CEO and the General Counsel, these amounts are compatible with severance for contractual termination.</p>

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

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

- A.7 Indicate the conditions that the contracts of executive directors in senior management positions must respect. Among other aspects, give information on the duration, limits to

the amounts of indemnity, tenure clauses, notice periods and payments that can replace such notice periods, and any other clauses regarding hiring bonuses, as well as severance payments or ring-fencing for early cancellation or termination of the contractual relationship between the company and the executive director.

Include, inter alia, covenants or agreements regarding non-competition, exclusivity, tenure or loyalty and non-competition after termination of contract.

Explain the conditions of the contracts of executive directors

The contracts signed with the CEO and General Counsel are non-term, do not provide a notice period on the side of Repsol and establish a post-contractual non-compete obligation. This means that for a period of one year after expiry or termination of the corresponding contract they may not render his services in companies of a similar nature to Repsol.

With respect to the Chairman, the new contractual conditions agreed on 1 May 2014 stipulate a term until the 2019 Ordinary Shareholders Meeting, and a one-year post-contractual non-compete.

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

b) Termination:

In accordance with the commitment assumed by the BoD in its meeting of 25 February 2014, at the proposal of the Nomination and Compensation Committee, to limit termination payments to the equivalent of two years' compensation, including compensation for the no competition clause, the contractual conditions agreed with Mr. Imaz following his appointment as the new CEO, already contain this limit.

The contract of the General Counsel, which was signed in 005 and thus responds to the personal, professional and market circumstances prevailing at the time. It was approved by the BoD following the favorable report issued by the Nomination and Compensation Committee, which analyzed market practices of the time and was advised by independent experts. In the event of contractual termination on grounds attributable to Repsol, by mutual agreement, on the interest of the Company, or upon the occurrence of objective circumstances, such as a significant change of ownership of the Company's capital, differed severance is provided for equivalent to three year of total annual cash remuneration, plus one additional year in consideration of the post-contractual non-competition commitment.

In the case of the Chairman, as a result of the new organizational structure approved on 30 April 2014, the BoD also agreed on said date, at the proposal of Mr. Brufau and the Nomination and Compensation Committee, to reduce the amount of compensation for early contractual termination with entitlement to severance, which, according to his contract, signed in 2004, would be equivalent to three years of total annual cash remuneration plus an additional year in consideration of the post-contractual non-compete agreement. According to the new contractual conditions, following re-election of the Chairman in the 2014 General Shareholders Meeting, compensation receivable for early contractual termination would be capped at the amount pending of total non-variable remuneration until the 2019 General Shareholders Meeting, which will include compensation for the post-contractual non-compete. In this way, the

amount will progressively reduce to the extent that, upon the date indicated, no compensation at all will be payable.

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

Explain supplementary remuneration items
Directors do not receive any other additional remuneration for services rendered other than those inherent to their directorship.

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

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

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

Explain any remuneration in kind
The Executive Directors are also entitled to certain benefits in kind including, among others, life and disability assurance, medical insurance, and payments on account/withholdings corresponding to the remuneration in kind.
There are also no advance payments, credits or guarantees granted to the Executive Directors by the Company.

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

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

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

Explain other remuneration items
None

- A.13 Explain the actions taken by the company in connection with the remuneration system to reduce excessive risk exposure and match it to the long-term targets, values and interests of the company. Include, where appropriate, a reference to: measures designed to ensure that the remuneration policy is aligned with the long-term performance of the company; measures establishing an appropriate balance between fixed and variable compensation; measures taken in relation to those categories of staff whose

professional activities have a material impact on the risk profile of the entity; clawback formulae or clauses to reclaim variable components of performance-based remuneration when such components have been paid on the basis of data that is subsequently proven to be wholly inaccurate; and measures designed to prevent conflicts of interest, where applicable.

Explain the actions taken to reduce the risks

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

a) The total compensation of the Executive Directors consists of different pay components, consisting essentially of: (i) non-variable remuneration, (ii) short-term variable remuneration and (iii) medium and long-term variable remuneration. This long-term component has a weight of around 30% of the total remuneration in a target scenario and is linked to targets established in the Strategic Plan, thus aligning the interests of participants with the Company's strategy.

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

a) The Company has established a Loyalty Incentive Scheme as described in A.4, thus aligning the interests of the participants in this scheme with shareholders' interests. Finally, the Chairman is the individual with the largest number of shares in the Company, having a value representing approximately 232% of his current non-variable remuneration, which is the best proof of his degree of alignment with the long-term interests of the Company and its shareholders.

b) The Nomination and Compensation Committee is formed of 5 members, one of which is also a member of the Audit and Control Committee. The double presence in these committees enables the risks associated with remuneration to be taken into consideration in deliberations of said committees and in their proposals to the Board, both in the determination and in the appraisal process of annual and multi-annual incentives.

Moreover, the remuneration scheme establishes adequate and efficient balance between non-variable and variable remuneration components, as described in point A.1. above: the variable components of the remuneration have been established in order that, should minimum targets not be met, these will not be received and there is no guaranteed variable remuneration.

The Nomination and Compensation Committee may propose to the Board of Directors to make adjustment to elements, criteria, thresholds and limits on annual or multi-year variable remuneration in the event of exception circumstances caused by extraordinary factors or events, whether internal or external.

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

The Nomination and Compensation Committee is responsible for studying and analysing the remuneration policy for directors and senior executives and its application. This group includes professionals whose activities may have a material repercussion on the Company's risk profile. The Nomination and Compensation Committee also assesses the extent to which the objectives set in the multi-year variable remuneration scheme have been achieved and submits a proposal to the

Board of Directors indicating the level of incentive to be paid.

In relation to recovery clauses or formulas: a) The Nomination and Compensation Committee has the power to propose cancellation of the payment of any variable remuneration in unforeseen circumstances that justify said remuneration having accrued due to inaccurate or erroneous information or data, or in the presence of regulatory or legal breaches that are subsequently proven. b) The Committee will assess whether exceptional circumstances such as those mentioned above may even lead to termination of the relationship with the person(s) responsible and the filing of the corresponding judicial claim.

In particular, the conditions of the Loyalty Incentive Scheme establish that the accrual of additional shares is conditional, in addition to the beneficiary remaining in the Repsol Group, upon *“none of the following circumstances having occurred during the period prior to each of the deliveries of shares, in the opinion of the Board of Directors based on a report by the Nomination and Compensation Committee:(i) infringement by the beneficiary of the Group’s internal rules and regulations;(ii) material restatement of the Company’s financial statements if this affects the degree of fulfilment of the objectives set in the corresponding multi-year remuneration scheme, except when this is due to a change in the applicable accounting principles.”*

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

B REMUNERATION POLICY FORECAST FOR FUTURE YEARS

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

General forecast of the remuneration policy

In the event of additional changes to the current remuneration system during the 2015 financial year, these will be contained in the company remuneration policy the Board of Directors plans to prepared and submit to the approval of the General Shareholders Meeting.

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

Explain the decision-making process for shaping the remuneration policy

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

In any event, the BoD and the Nomination and Compensation Committee will continue to review the principles of the remuneration policy applicable to the Company, in the exercise of their duties.

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

Explain the incentives created to reduce risks
<p>The Nomination and Compensation Committee monitors the targets established for annual variable remuneration, and their degree of fulfilment is determined upon conclusion of the financial year.</p> <p>To do so, the Committee has the support of the Directorate General of Strategy, Control and Resources, which is in charge of Repsol Group management control, which provides information on audited results and of the General Directorate of Persons and Organization. The Committee also considers the possible long term impact and any associated risk for the establishment of targets and the appraisal of their fulfilment.</p>

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

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

Explain the structure and remuneration items of the remuneration policy applied during the year
<p>Compensation of directors for their duties as such: The policy has been described in section A.3. The total compensation paid to Directors for their duties as such in 2014 was 4,978 thousand euros.</p> <p>Compensation of Executive Directors for their executive duties:</p> <p>1) Non-variable remuneration: On February 25, 2014 the Board resolved to maintain the non-variable remuneration of 2013 for 2014, i.e, 2,368 thousand euros for the CEO/Chairman and 983 thousand euros for the General Counsel. Subsequently, the BoD resolved on April 30, 2014 to appoint a CEO with non-variable remuneration of 1,200 thousand euros annually, at the proposal of the Nomination and Compensation Committee.</p> <p>2) Annual variable remuneration: At year-end, the Nomination and Compensation Committee makes an assessment of the fulfilment of previously set targets. Section D.2 contains details of the targets set for the annual variable remuneration of the CEO. Based on this, the overall fulfilment of the CEO was 90%, which entitled a payment of 720 thousand euros (90%) of non-variable remuneration. For the General Counsel, the Nomination and Compensation Committee considered a global level of achievement for Company objectives and for the objectives related with his personal performance of 100%, entitling him to a sum of 885 thousand euros (90% of his non-variable remuneration).</p> <p>3) Multi-year variable remuneration: The MTI 2011-2014 programme was closed as at December 31, 2014 in accordance with its rules.</p> <p>The Nomination and Compensation Committee has likewise assessed the degree of achievement of the targets set at the beginning of the programme (through application of a mathematical formula according to achievement scales and based on the objective values initially defined. Section D.2 includes the details of targets, metrics and achievement scales.</p>

With respect to the MTI programme 2011-2014, the incentive to be received by the CEO and the General Counsel, for which the Nomination and Compensation Committee also takes into consideration personal performance, was 152 and 478 thousand euros respectively (equivalent to 68.3% and 64.82% to the maximum achievable).

4) Loyalty Incentive Scheme: The CEO and General Counsel participate in the 2014-2017 cycle, having purchased 5,122 and 3,377 Repsol shares, respectively. On the other hand, on 31/05/2014 the consolidation period of the 1st Cycle of the Scheme was completed. As a result of this the General Counsel consolidated rights to delivery of 2,124 gross shares valued at 20.905 euros per share, which entails an amount equivalent to 44 thousand euros. The CEO did not participate in this cycle of the Scheme, and as such did not consolidate additional share delivery rights.

5) Payment in kind: The Executive Directors are entitled to certain payments in kind including, among others, life and disability insurance, medical insurance and the gross share amount delivered by virtue of the aforementioned Loyalty Incentive Scheme. These payments also include the payments on account/withholding tax due on certain payments in kind. The cost associated with the payments in kind in 2014 were 0.034 thousand euros for the CEO and 0.152 thousand euros for the General Counsel.

6) Welfare Systems: The systems applied in 2014 are the same as those detailed in section A.5. The cost incurred by the Company in 2014 in contributions to pension schemes and welfare schemes for Executive Directors amounted to 173 thousand euros for the CEO and 202 thousand euros for the General Counsel.

7) Non-variable remuneration as members of the Board of Directors of investee companies: In 2014 the amount of this remuneration was 139 thousand euros for the General Counsel for his membership of the BoD of Gas Natural SDG, S.A., For the CEO, this amount was 49 thousand euros for his membership to the BoD of Petronor, S.A.

As indicated previously, on 30/04/2014 the Board of Directors at the proposal of Mr. Brufau and the Nomination and Compensation Committee agreed on a new organisation chart for the senior executive level, and a consequent change in the remuneration system for the Chairman so that it contemplated a total cash compensation of a gross 2,500 thousand euros to be held at that level for the duration of his contract, from which are to be deducted all remuneration to be received by Mr. Brufau in his capacity as a director of Repsol and its investees. At the same time, and at the proposal of the Nomination and Compensation Committee, the Board of Directors assessed the level of attainment to date of the targets set for his Annual Variable Remuneration (AVR) at 72%, and for his Multi-year Variable Remuneration (MVR) at 75.56%, so that the amounts accrued under both headings amount to 256 thousand and 453 thousand euros respectively. In 2014 the amount due to him as a director of Gas Natural SDG, S.A. has amounted to a total of 197 thousand euros (which has been deducted from his 2014 VR until 30/04/2014, and from his non-variable remuneration as from that date).

In the case of the Loyalty Incentive Scheme, Mr. Brufau, on 31/05/2015 vested rights to the delivery of 10,660 shares gross as a result of his participation in the 1st Stage of the Scheme, with a value of 20.905 euros per share, equivalent to 223 thousand euros. The expense associated with the payments in kind enjoyed by the Chairman in 2014 amounted to 0.648 thousand euros.

As a result of all the above, the total remuneration accrued by the Chairman in 2014 has amounted to 3,813 thousand euros. Details of the targets, metrics and weightings considered for the Chairman's AVR for 2014 are included in section D.2. In the case of Social Security Schemes, at the request of the Chairman, on 12/03/2013 the Company ceased to make contributions to his pension fund, terminating the commitment that Repsol had assumed, no contributions having been made in 2014.

Note: Information on the CEO corresponds to the period included between his

appointment (30/04/14) and 31/12/14.

D BREAKDOWN OF INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

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

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

i) Cash remuneration (€k)

Name/ Type/ Accrual period 2013	Salary	Fixed remuneratio n	Per diem pay men ts	Variable short-term remuneratio n	Variable long-term remuneratio n	Remuneration for membership of board committees	Indemnity	Other ítems	Total 2014	Total 2013
Antonio Brufau Niubó- Executive	2,112	177	0	49	453	177	0	648	3,616	4,639
Isidro Fainé Casas- Institutional	0	177	0	0	0	177	0	0	354	354
Manuel Manrique Cecilia- Institutional	0	177	0	0	0	177	0	0	354	265
Josu Jon Imaz - Executive (*)	800	132	0	720	152	132	0	34	1,970	-
Paulina Beato Blanco- Independent (**)	0	59	0	0	0	29	0	0	88	265
Artur Carulla Font- Independent	0	177	0	0	0	221	0	0	398	398
Luis Carlos Croissier Batista- Independent	0	177	0	0	0	132	0	0	309	280
Rene Dahan- Institutional	0	177	0	0	0	177	0	0	354	235
Ángel Duráñez Adeva- Institutional	0	177	0	0	0	88	0	0	265	265
Javier Echenique Landiribar- Independent	0	177	0	0	0	177	0	0	354	442
Mario Fernandez Pelaz- Independent	0	177	0	0	0	44	0	0	221	221
M ^a Isabel Gabarró Miquel- Independent	0	177	0	0	0	88	0	0	265	265
Jose Manuel Loureda Mantiñan- Institutional	0	177	0	0	0	88	0	0	265	265
Juan María Nin Génova- Institutional	0	177	0	0	0	88	0	0	265	265
Pemex Internacional España, S.A.- Institutional	0	74	0	0	0	92	0	0	166	398

(***)										
Henri Philippe Reichstul-Independent	0	177	0	0	0	177	0	0	354	354
Luis Suárez de Lezo Mantilla-Executive	983	177	0	885	478	177	0	152	2,852	2,509

(*) Mr. Josu Jon Imaz was appointed member of the Board on April 30, 2014

(**) Mrs. Paulina Beato resigned from her position of member of the Board on April 30, 2014.

(***) Pemex Internacional España, S.A. resigned from the Board of the Company on June 4, 2014.

ii) Share-based remuneration systems

iii) Long-term savings systems

Name/ Type/Period of total accrual in years	Contribution to the year by the Company (€k)		Amount of funds accumulated (€k)	
	Year 2014	Year 2013	Year 2014	Year 2013
Antonio Brufau Niubó-Executive	0	494	-	-
Luis Suárez de Lezo Mantilla-Executive	202	203	2,072	1,805
Josu Jon Imaz - Executive	173	-	833	-

iv) Other benefits (in thousands of €)

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

i) Cash remuneration (€k)

Name/ Type/ Accrual period 2013	Salary	Fixed remuneration	Per diem payments	Variable short-term remuneration	Variable long-term remuneration	Remuneration for membership of board committees	Indemnity	Other items	Total 2014	Total 2013
Antonio Brufau Niubó-	0	197	0	0	0	0	0	0	197	266
Luis Suárez de Lezo Mantilla	0	139	0	0	0	0	0	0	139	159
Josu Jon Imaz	0	49	0	0	0	0	0	0	49	-

ii) Share based remuneration systems

iii) Long-term savings systems

iv) Other benefits(€k)

c) Summary of remuneration (€k):

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

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

Name/ Type	Remuneration accruing to the company				Remuneration accruing to group companies				Totals		
	Total cash remuneration	Value of shares granted	Gross profit on options exercised	Total 2014 to the company	Total cash remuneration	Value shares vested	Gross profit on options exercised	Total 2014 to the group	Total 2014	Total 2013	Contribution to saving systems during the year
Antonio Brufau Niubó-Executive	3,616	0	0	3,616	197	0	0	197	3,813	4,905	0
Luis Suárez de Lezo Mantilla-Executive	2,852	0	0	2,852	139	0	0	139	2,991	2,648	202
Isidro Fainé Casas-Institutional	354	0	0	354	0	0	0	0	354	354	0
Manuel Manrique Cecilia-Institutional	354	0	0	354	0	0	0	0	354	265	0
Josu jon Imaz - Executive (*)	1,970	0	0	1,970	49	0	0	49	2,019	-	173
Paulina Beato Blanco-Independent (**)	88	0	0	88	0	0	0	0	88	265	0
Artur Carulla Font-Independent	398	0	0	398	0	0	0	0	398	398	0
Luis Carlos Croissier Batista-Independent	309	0	0	309	0	0	0	0	309	280	0
Rene Dahan-Institutional	354	0	0	354	0	0	0	0	354	235	0
Ángel Durández Adeva-Institutional	265	0	0	265	0	0	0	0	265	265	0
Javier Echenique Landiribar-Independent	354	0	0	354	0	0	0	0	354	442	0
Mario Fernandez Pelaz-Independent	221	0	0	221	0	0	0	0	221	221	0
M ^a Isabel	265	0	0	265	0	0	0	0	265	265	0

Gabarró Miquel-Independen t											
Jose Manuel Loureda Mantiñan-Institucion a l	265	0	0	265	0	0	0	0	265	265	0
Juan María Nin Génova-Institucion a l	265	0	0	265	0	0	0	0	265	265	0
Pemex Internacion al España, S.A.- Institucion a l (***)	166	0	0	166	0	0	0	0	166	398	0
Henri Philippe Reichstul-Independen t	354	0	0	354	0	0	0	0	354	354	0
Total:	12,450	0	0	12,450	385	0	0	385	12,835	11,825	375

(*) Mr. Josu Jon Imaz was appointed member of the Board on April 30, 2014

(**) Mrs. Paulina Beato resigned from her position of member of the Board on April 30, 2014.

(***) Pemex Internacional España, S.A. resigned from the Board of the Company on June 4, 2014.

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

Annual Variable Remuneration

The targets, weightings and metrics considered for the 2014 AVR of the CEO were as follows: (a) Targets for alignment with strategy, with a global weight of 15% and metrics linked to management of the business portfolio; (b) Operational targets, with a global weight of 50% and metrics associated with net profit (20%), net debt (ex GNF) (10%), production and reserve replacement rate (12.5%) and utilisation of conversion capacity (7.5%); (c) Sustainability objectives, with a global weight of 20% and metrics linked to the accident frequency rate (10%) and the Sustainability Plan (10%); and (d) Value creation targets, with a global weight of 15% and a metric based on the performance of net profit matched against that of comparable companies.

For the quantitative objectives the Nomination and Compensation Committee calculates the degree of achievement of targets using a mathematical formula, following the pre-established scales of achievement and based on the target values originally set in the 2014 Annual Budget and the Sustainability Plan. The level of achievement has been 89.8%, broken down as follows: a) Operational targets, with a percentage of attainment of 87.625%; (b) Sustainability objectives, with a percentage of attainment of 110%; and (c) Value creation targets, with a percentage of attainment of 120%.

In relation to the qualitative objectives related to alignment with strategy, the Nomination and Compensation Committee has analysed the various milestones and actions carried out during 2014, estimating a level of achievement of 100%

Overall, the Nomination and Compensation Committee has assessed the level of achievement of the CEO at 89.8%, implying the payment of 720 thousand euros (90% of his non-variable remuneration).

The targets considered for the AVR of the General Counsel were as follows: (a) Corporate Governance; (b) Institutional Relations; (c) Corporate Social Responsibility; (d) Asset Management; and (e) Actions in relation to the expropriation of YPF.

In relation to these various qualitative objectives, the Nomination and Compensation Committee has analysed the various milestones and actions carried out during 2014, estimating a level of achievement by the CSG at 100%, implying the payment of 885 thousand euros (90% of his non-variable remuneration).

The targets, weightings and metrics considered for the 2014 AVR of the Chairman that was paid on 30/04/2014 with the agreement of the Board at the proposal of the Nomination and Compensation Committee were as follows: (a) Operational and financial targets (a 50% weighting), with metrics based on (i) Net profit; (ii) Net debt (ex GNF); (iii) Production and Reserve Replacement Rate; (iv) Use of conversion capacity. (b) Value creation targets, with a weight of 10% and a metric based on the performance of recurring net profit matched against comparable companies. (c) Sustainability targets (with a 10% weighting) and metrics based on (i) Company reputation; (ii) Relations with the Board and Committees; (iii) Management of the portfolio of businesses.

Multi-year variable remuneration: The MTI 2011-2014 programme was closed on December 31, 2014 as stipulated in its rules. The Nomination and Compensation Committee calculates the level of achievement of the objectives using a mathematical formula and according to the information provided by the ED Strategy Control and Resources and the ED People and Organisation and based on the results obtained in respect of the categories of objectives described in section C.1; and the overall fulfilment of the programme based on the target values defined initially (the weighting of each objective has been adjusted for MTI 2011-2014 due to the change in the scope of consolidation following the expropriation of YPF). Below is the detail of objectives, weightings, metrics and the level of achievement in each category of objective) in the case of Upstream Growth with a weighting of 35%, the level of achievement determined is 35.10%, the metrics considered having been the reserve replacement ratio, the increase in production, the exploration success rate, the execution of projects, the volume of LNG sold and the sales margin on own LNG; b) in Downstream, with a weighting of 32, the level of achievement determined is 18.86%, the metrics considered being the start-up considered in the plan and the cost of the Cartagena project; the start-up cost foreseen in the plan and the cost of the Bilbao project; the increase in the Cartagena and Bilbao margin; the integrated refining and marketing margin for Repsol vs. the sector, and the recurring operating result for CCS Quimica; c) in Optimization and financial discipline, with a weighting of 8%, the level of achievement determined is 4.60; d) in Value Creation, with a weighting of 23%, the level of achievement determined is 8.62%, the metric considered being net profit; and e) Safety and Environment, with a weighting of 6%, the level of achievement having been calculated at 5.75%, metrics considered being the accident frequency rate and the reduction of greenhouse gas emissions. For the 2011-2014 MTI, the Nomination and Compensation Committee established an overall fulfilment of objectives equivalent to 72.92.

In relation to the CEO and the General Counsel, as mentioned earlier, the Nomination and Compensation Committee assesses the degree of achievement of the multi-year variable remuneration according to the overall fulfilment of the objectives of the corresponding medium-term incentive programme and their personal performance. Consequently, the incentive payable to the CEO for the IMP 2011-2014 programme was equivalent to 68.3% of the maximum, entitling him to an incentive payment of 152 thousand euros (19% of his current non-variable remuneration), and for the General Counsel it has been 64.82% of the maximum, entitling him to an incentive payment of 478 thousand euros 48.61% of his current non-variable remuneration.

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

	Number	% of total
Votes cast	850,447,700	64.208%

	Numbers	% of votes cast
Votes against	24,753,477	2.911%
Votes in favour	824,037,680	96.895%
Abstentions	1,656,543	0.1945%

E OTHER INFORMATION OF INTEREST

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

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

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

The cumulative vested rights of the Director-General Counsel Luis Suárez de Lezo in the pension scheme at 31 December 2014 amount to 2,072 thousand euros, with a contribution of 202 thousand euros in 2014.

The cumulative vested rights of the CEO, Josu Jon Imaz in the pension scheme at 31 December 2014 amount to 833 thousand euros, with a contribution for the period between 1 May and 31 December of 2014 of 173 thousand euros.

By virtue of a resolution adopted by the Board of Directors on 27 February 2013 at the express request of the Chairman, Antonio Brufau, Repsol stopped making contributions to his pension scheme as of 12 March 2013, whereupon the commitment undertaken by Repsol S.A. in this regard expired. Consequently, the Company has not incurred any cost under this heading in relation to Mr. Brufau during 2014.

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

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

It should be noted that since the model Annual Report on Directors' Compensations of Circular 4/2013 does not permit the inclusion of decimals, there are a few minor variations in the figures indicated therein in respect of the real figures. Thus, in the table summarising compensations, the real total amount of the cash compensation accrued by the Company is 11,482 thousand euros, rather than 11,488 thousand euros; consequently, the real total amount for 2014 is 11,886 thousand euros, rather than 11,893 thousand euros.

This annual report on the remuneration of directors has been approved by the company's board of directors on the 25th of February of 2015.

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

Yes No

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