



## **COMPENSATION COMMITTEE**

# **Report on the Remuneration of the Directors 2018**

**February 27, 2019**

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

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## 1. PRESENTATION OF THE REPORT

This Annual Report on Directors' Remuneration corresponding to financial year 2018 (the "**Report**") has been prepared by the Compensation Committee of Repsol S.A. ("**Repsol**" or the "**Company**") pursuant to section 541 of the Spanish Companies Act (*Ley de Sociedades de Capital*) and based on the model and instructions stated in the Spanish National Securities Market Commission ("**CNMV**") Circular 2/2018<sup>1</sup>.

In accordance with Circular 2/2018, Repsol has decided to use the free format model, including the content required by the regulation as well as the statistical appendix described in Circular 2/2018. This Report is issued in response to Repsol's desire to continue increasing the transparency of its remuneration schemes and provide shareholders with an understanding of the remuneration systems currently in place.

The aim of this Report is to provide complete and detailed information about the implementation of the remuneration policy of the Directors approved in a binding manner by the General Shareholders Meeting on May 19, 2017 (the "**Remuneration Policy**"), both in the performance of their executive functions and the supervision and decision-making functions inherent to the office.

Please consult the Remuneration Policy available on Repsol's website at the following link:

[https://www.repsol.com/imagenes/global/en/Pol%C3%ADtica\\_de\\_Remuneraciones\\_EN\\_VF\\_tcm14-64095.pdf](https://www.repsol.com/imagenes/global/en/Pol%C3%ADtica_de_Remuneraciones_EN_VF_tcm14-64095.pdf)

In business terms Repsol has earned, in FY 2018, the highest net income of the past eight years, reflecting the strength of the Company's businesses, as well as its flexibility adaptability and preparedness for any scenario. During this period, Repsol increased value-generation and enhanced its position as a multi-energy provider.

Finally, it should be noted that, during the FY 2018, Repsol has continued its engagement campaign with shareholders and proxy advisors, focused specifically on ESG issues (Environmental, Social and Governance), thus consolidating a pioneering initiative in Spain of two-way dialogue with these stakeholders on these matters.

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<sup>1</sup> Spanish National Securities Market Commission Circular 2/2018 of 12 June, which amends Circular 5/2013 of 12 June, which establishes the annual corporate governance report models for listed companies, savings banks, and other entities that issue securities admitted for trading on official securities markets, and Circular 4/2013 of 12 June, which establishes the models for the annual report on the remuneration of directors of listed companies and members of the board of directors and the control committees of savings banks that issue securities admitted for trading on official securities markets.

As established in art. 541 of the Spanish Corporate Enterprises Act, this Annual Remuneration Report, that has been unanimously approved by the Board of Directors at its meeting of February 27, 2019 will be subject to a consultative vote by shareholders at the 2019 General Shareholders Meeting as a separate item on the agenda.

Madrid, February 27, 2019

## 2. COMPENSATION COMMITTEE

### Membership at of 31 December 2018

Mr. Ángel Durández Adeva  
(Chairman, Independent Director)

Mr. Ignacio Martín San Vicente  
(Independent Director)

Ms. Maite Ballester Fornés  
(Independent Director)

Mr. José Manuel Loureda Mantiñán  
(External Institutional Director)

In accordance with the Bylaws and Regulations of the Board of Directors, as of December 31, 2018 the Compensation Committee was comprised entirely by External Directors, the majority of whom (three) were Independent, while the other one was Institutional. All the Committee members have extensive experience and expertise in the duties to be performed.

The functions of the Board of Directors of Repsol and its Compensation Committee in matters of remuneration are regulated in the Bylaws (art. 45 et seq.) and the Regulations of the Board of Directors (arts. 5 and 36).

The Compensation Committee has, among others, the following functions:

- Propose to the Board the remuneration policy thereof, assessing the responsibility, dedication and incompatibilities required of Directors; and, for Executive Directors, propose to the Board the additional remuneration for their executive functions and other terms of their contracts;
- Propose to the Board of Directors the remuneration policy for general directors or whomever performs the senior executive functions under the Board's direct supervision. Likewise, this Committee will analyse the proposals for the long-term incentives plans that affect the Group's Senior Executives and, in particular, those that may be established in relation to the value of the share and will be familiar with the fundamental aspects related to the Company's general salary policy.
- Propose to the Board of Directors the basic terms for Senior Executives' contracts;
- Verify that the remuneration policy established by the Company is observed;
- Periodically review the remuneration policy applied to Directors and Senior Executives, including share-based remuneration systems and their application;
- Ensure that possible conflicts of interest do not jeopardise the independence of the external advisory services provided to the Committee;

- Verify the information on the remuneration of Directors and Senior Executives contained in the various corporate documents, including the Annual Report on Directors' Remuneration;
- Any other functions related to matters for which they are responsible and that they are asked to perform by the Board of Directors or by its Chairman;
- Report, in advance, to the Board of Directors the cases envisaged under the law and the Company's internal regulations and, in particular, in those cases contained in articles 21 and 22 of the Board of Directors' Regulations related to the use of corporate information and assets for private purposes, as well as the exploitation of business opportunities;
- Report to the Board of Directors in all cases in which the Board itself or its Chairman request a report.

### **2.1. Most relevant activities carried out by the Committee in 2017 and 2019**

In 2018, the Compensation Committee convened on four occasions. In 2019, as of the publication date of this Report, the Committee has met on one occasion.

At the aforementioned meetings, the Committee has discussed, among others, the following issues, and resolved, where appropriate, to submit them to the Board of Directors for approval:

- Report on the proposals to settle the 2014-2017 and 2015-2018 Long-Term Incentives Programmes (LTIs).
- Report on the proposals for new 2018-2021 and 2019-2022 Long-Term Incentives Programmes.
- Remuneration proposal for serving on the Board of Directors and its Committees for the financial years ending 2018 and 2019, including for the Chairman of the Board of Directors.
- Additional remuneration proposal for Directors who perform executive functions, specifically:
  - Proposal of fixed remuneration for Executive Directors for the financial years ending 2018 and 2019.
  - Proposal to settle the annual variable remuneration of Executive Directors for financial years 2017 and 2018.
  - Proposal of annual variable remuneration for Executive Directors for the financial years ending 2018 and 2019.
  - Proposal to settle the long-term variable remuneration of Executive Directors corresponding to the 2014-2017 and 2015-2018 Long-Term Incentives Programmes.
  - Proposal of long-term variable remuneration for Executive Directors corresponding to the 2018-2021 and 2019-2022 Long-Term Incentives Programmes.

- Proposal of Annual Reports on Directors' Remuneration for financial years 2017 and 2018.
- Verification of information pertaining to the remuneration of Directors and Senior Managers contained in the annual consolidated financial statements for the financial years ending 31 December 2017 and 31 December 2018.
- Proposals and reports for the 2018 General Shareholders Meeting concerning:
  - 2019-2021 Share Acquisition Plan.
  - Voluntary Report on Directors' Remuneration for financial year 2017.
- Definition of 2018-2021 Long-Term Incentive targets following approval of the Strategic Update.
- Report on the remuneration structure of Directors.
- Planning the Compensation Committee's schedule of meetings and activities for the financial years ending 2018 and 2019.
- Analysis of the National Securities Market Commission Technical Guide proposal on Nomination and Compensation Committees.

## **2.2. External consultants**

In accordance with the provisions of the Regulations of the Board of Directors, for the better performance of its functions the Compensation Committee may apply to the Board to engage the services of specialised external consultants at the Company's expense.

Thus, in 2019, EY Abogados, an independent consultant specialized in the field of remuneration of Directors and Senior Management, has advised the Compensation Committee in the preparation of this Report. In addition, Willis Towers Watson has advised the Compensation Committee on the preparation of benchmarking for the CEO's remuneration.

## **2.3. Proposed resolutions for the General Shareholders Meeting regarding Director remuneration in 2019**

It is expected to submit the following proposed resolutions for approval at the 2019 General Shareholders Meeting:

- Annual Report on Directors' Remuneration for the financial year closing 31 December 2018.
- Board of Directors' Remuneration Policy for the financial years ending 2019, 2020 and 2021.

- Approval of the inclusion of a target related to the evolution of total shareholder return (TSR) in the 2018-2021 Long-Term Incentives Plan.
- Approval of the inclusion of a target related to the evolution of total shareholder return (TSR) in the 2019-2022 Long-Term Incentives Plan.
- Approval of a global Share Acquisition Plan.
- Approval of a Long-Term Incentive Plan including the partial granting of shares as of Program 2020-2023.

#### **2.4. Actions taken to mitigate risk in the Remuneration Policy**

The measures designed to ensure the Directors' Remuneration Policy addresses the Company's long-term results are:

- Executive Directors' total compensation consists of various remunerative elements that include, essentially: (i) fixed remuneration, (ii) short-term variable remuneration, and (iii) long-term variable remuneration (LTI). The latter accounts for roughly 38% of total remuneration in a scenario of 100% compliance with objectives for the CEO and 34% for the General Counsel Director, and it is linked to the objectives established in the Strategic Plan.
- LTI Plans are part of a multi-year framework (four years) to ensure that the evaluation process is based on long-term results and considers the underlying economic cycle of the Company, as well as the achievement of strategic objectives. Moreover, the Company has established a one-year period, beginning when the shares are delivered, during which the Executive Directors may not transfer or hedge (directly or indirectly) the Company shares delivered in payment for such programmes.
- The Company has a Share Purchase Plan for the beneficiaries of the Long Term Incentive Plans aimed at aligning the interests of the participants with those of the shareholders.
- Repsol has a permanent shareholding policy, according to which, for the duration of their tenure, Executive Directors must retain ownership of the shares in their portfolio, as well as other shares received as payment under the LTI Programmes or linked to the Share Purchase Plan, until they reach, at least, an amount equivalent to twice their fixed remuneration.
- As of 31 December 2018, the Compensation Committee consists of four members, two of whom are also members of the Audit and Control Committee. The existence of a cross-presence on these two committees helps when assessing the risks associated with remunerations during



deliberations and in their proposals to the Board of Directors, when determining and evaluating annual and multiannual incentives.

In addition, one of the members of the Compensation Committee is also a member of the Sustainability Committee, which is in charge of supervising the non-financial risk management and control systems and other aspects related to the sustainability of the Company, the maximisation of long-term value, and corporate social responsibility. As such, the cross-presence of Directors allows for the consideration of aspects relevant to the issues that concern the remuneration of Directors and Senior Managers.

The Remuneration Policy, meanwhile, establishes an adequate and efficient balance between the fixed and variable components of remuneration; the variable components are set so that, in the event minimum objectives are not achieved, no payment will be made; and there are no guaranteed variable remunerations.

The Compensation Committee may recommend the Board of Directors to adjust to the elements, criteria, thresholds and limits of variable remuneration, whether annual or multiannual, in exceptional circumstances prompted by extraordinary internal or external factors.

The Compensation Committee is also responsible for examining and analysing the Remuneration Policy for Directors and Senior Managers and its application, in as much as the professional activities of these personnel can have a material impact on the Company's risk profile. Moreover, the Compensation Committee assesses compliance with the objectives established in the long-term variable remuneration plans and submits them to the Board of Directors to approve the level of incentive to be paid.

### **3. PAY FOR PERFORMANCE**

The compliance of the predetermined and measurable targets established at the beginning of the financial year, by the Board of Directors, at the proposal of the Compensation Committee, to calculate the annual variable remuneration of the Executive Directors is aligned with the economic results achieved by the Company in 2018. Thus, the main business milestones achieved in the year have been:

- Net income increased 10% and has been the highest in the last eight years. The adjusted net income, which measures the performance of business's, grew 10% to 2.352 billion euros.
- EBITDA stood at 7.513 billion euros, a 12% improvement on the previous year.
- The 2018 earnings reflect the strength of the company's businesses as well as its flexibility, adaptability and preparedness for any scenario. During this period, Repsol increased value-generation and enhanced its position as a multi-energy provider.

- The Upstream business (Exploration and Production) doubled its 2017 earnings to reach 1.325 billion euros, bolstered by implemented efficiency measures, higher volumes and the improvement in international prices and an increase in production of 3% up to 715,000 barrels of oil equivalent per day.
- The Downstream (Refining, Chemicals, Marketing, Lubricants, Trading, LPG, Trading and Gas) earnings totalled 1.583 billion euros, with improved performance in Marketing, LPG and Trading & Gas. The refining margin was in line with that of last year and is among the best in the sector.
- The company updated its strategy last June after meeting the objectives of the 2016-2020 Strategic Plan two years ahead of schedule. The update is based on three pillars: an increase in shareholder compensation, profitable growth in the Upstream and Downstream units, and the development of new businesses connected to the energy transition.
- Significant steps were taken during the year to consolidate the low-emissions businesses, supporting Repsol's commitment to becoming a leading global multi-energy provider.
- In November, Repsol completed the purchase of Viesgo's non-regulated, low-emissions electricity generation assets as well as its distributor, to become a relevant player in the Spanish generation market, with a total installed capacity of 2,950 MW and plans for a further 289 MW.
- Repsol is implementing a digitalization program throughout the company, which will generate one billion euros in 2022 from new revenue and the optimization of investments and expenses.
- During the period, net debt fell 45% to 3.439 billion euros.
- Repsol's good performance was reflected in improving the company's rating.

In 2019 the specialised firm Willis Towers Watson has carried out a benchmarking analysis for the Total remuneration of the CEO. The following criteria have been taken into consideration in order to determine the comparison group:

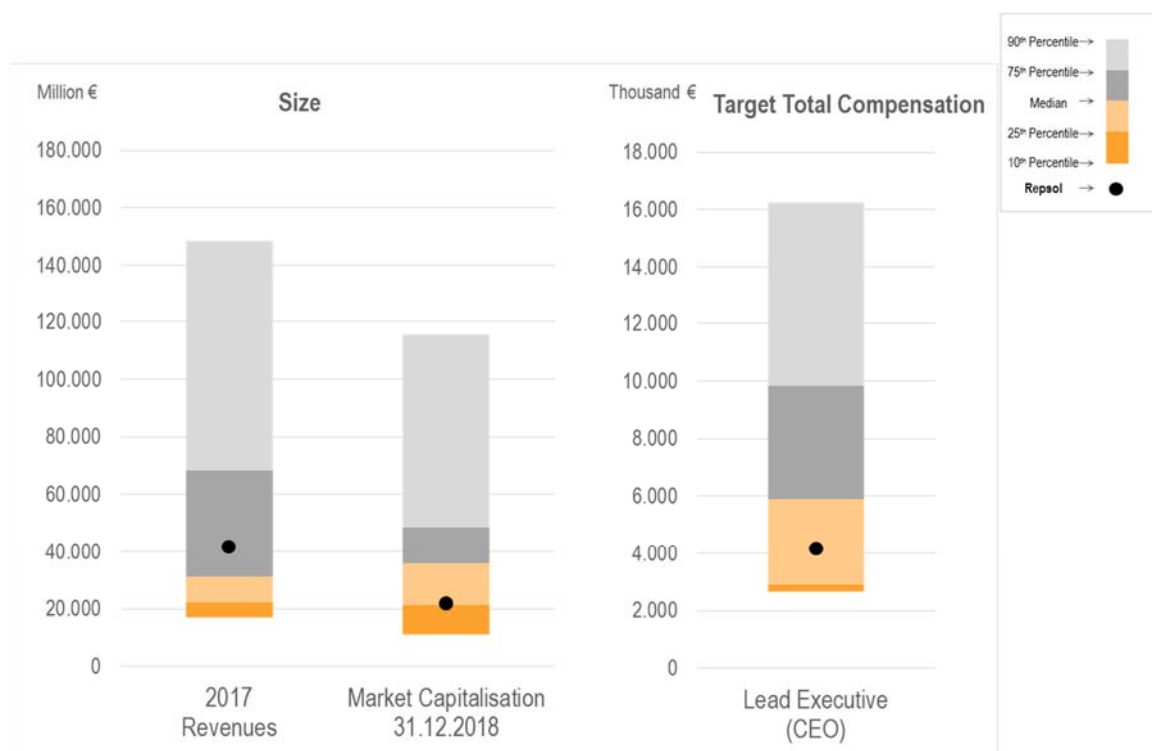
- a) Listed Companies within the energy and utilities sector comprising the following indices (EURO STOXX 600 Oil & Gas/DJ Titans Oil & Gas 30 ,Stoxx Europe 600 Utilities/ S&P 500 Utilities).
- b) Headquarters location: Europe, Canada and USA.
- c) Dimension and complexity comparable to Repsol considering a range of revenues and market capitalization between 30% and 320% of Repsol's figures, as well as the volume of total assets and the number of employees.

- d) Companies that are part of the peer group that Repsol has defined for the purposes of measuring Shareholder Total Return ("TSR") within the Long-Term Incentive Program 2018-2021.
- e) Companies that are part of the peer group CONSIDERED BY THE PROXY ADVISOR Institutional Shareholder Services ("ISS") for carrying out the pay for performance analysis in their Voting Recommendation Report.

The abovementioned group excludes companies in the financial sector and those companies that have considerable state involvement and are not considered highly comparable with Repsol.

Taking into consideration the above, the resulting comparison group would be composed of the following 19 companies: - BP, Centrica, Cepsa, Conoco Phillips, EDF, Endesa, ENGIE, ENI, Iberdrola, Marathon Petroleum, National Grid, Naturgy, Phillips 66, Royal Dutch Shell, Schlumberger, Snam, Suez, Total and Veolia Environment.

The following are the results of the analysis in which the position of the Chief Executive Officer is shown against the comparison group in relation to the Total Target Compensation in which the following remuneration items are included : fixed remuneration for its supervisory duties as Directors; executive duties fixed remuneration; annual variable remuneration; long-term incentive plan; social welfare schemes.



Source: Willis Towers Watson

In terms of dimension, Repsol lies between the 25th percentile and the median of the comparison group. In terms of total target remuneration, the CEO is in this same range.

**4. REMUNERATION POLICY 2019**

**4.1. Concerning the Executive Directors**

In accordance with the Remuneration Policy, the remuneration package of the CEO and General Counsel, for the performance of their executive duties, essentially consists of a fixed item, a short-term variable item and a long-term variable item, aligned with Company’s management objectives under the Strategic Plan with the sustained maximisation of the Company’s value. Furthermore, the Remuneration Package of the Executive Directors also includes pension schemes and specific in-kind payment systems.

In line with previous years, the proposed pay package for 2019 is a suitably balanced and efficient mix of fixed and variable pay items in which the fixed component accounts for a sufficiently high percentage of the total remuneration. The variable pay items must be flexible to the point that they can be completely removed from the pay package, in a given year, if the targets linked to those items have not been achieved. In this case, the Executive Directors will only receive fixed remuneration, as well as other items relating to their participation in pension schemes and in-kind benefits.

Assuming a scenario where the 100% of the targets are met in 2019, fixed remuneration for the CEO would account for 31% of the total remuneration (fixed, annual variable and long-term variable) and the variable remuneration 69% (approximately 45% short term variable pay and 55% long-term variable pay).

Meanwhile, for the General Counsel, fixed remuneration would account for 34% and variable remuneration 66% (47% short-term variable pay, and 53% long-term variable pay).



Source: Willis Towers Watson

This compensation structure allows the remuneration package of the Executive Directors to be variable depending on Repsol’s earnings and may vary between zero (in the case of insufficient achievement of targets) and a maximum of 220% of the fixed remuneration (100% for short-term and 120% for long-term) for the CEO and 190% of the fixed remuneration (90% for short-term and 100% for long-term) for the General Counsel. Notwithstanding this, exclusively in the case of the CEO, the Board of Directors may adjust, to a maximum of 20% upwards or downwards, the final quantitative results for the variable remuneration, depending on the quality of results, individual performance and other issues that require qualitative measurement. Thus, the maximum amounts of the long-term variable remuneration for the Executive Directors are the following:

	Maximum amount of annual variable remuneration	Maximum amount of long-term variable remuneration
CEO	100% of his fixed remuneration +/- 20% of qualitative adjustment to be approved, as the case may be, by the Board of Directors.	120% of his fixed remuneration +/- 20% of qualitative adjustment to be approved, as the case may be, by the Board of Directors.
General Counsel Director	90% of his fixed remuneration.	100% of his fixed remuneration.

In case the Board of Directors, based on a proposal of the Compensation Committee, agrees to adjust –upwards or downwards– the variable remuneration of the CEO, the Company will provide detailed information of the rationale that justifies the qualitative adjustment.

When establishing the remuneration package of the Executive Directors, the Compensation Committee considers, among others, the provisions of the Remuneration Policy, guidelines from institutional investors and proxy advisors’ guidelines, the information received by the latter in the engagement process carried out by Repsol, as well as market data.

Listed below are the items of the remuneration package of the Executive Directors for 2019 and its main characteristics:

**4.1.1. Fixed Remuneration**

The fixed remuneration of the Executive Directors for the performance of their executive duties considers the level of responsibility of these functions, their position and their professional experience. This remuneration is reviewed on a regular basis, considering the Company’s results, market data and the remuneration conditions within the organisation. Said remuneration is reviewed periodically to attract and retain the best professionals.

Based on this, the Compensation Committee proposes annually to the Board, for its approval, the fixed remuneration for Executive Directors for performing their executive functions, taking into account the framework of the Remuneration Policy approved.

In order to determine the fixed remuneration and any possible updates to it, the Compensation Committee takes into account, among other matters, the specific characteristics of each position and the dedication required, market analyses and average increases in the remuneration of the Company's Senior Executives. All the foregoing in order to establish compensation that befits the function performed, guaranteeing that it is competitive with respect to the reference market.

The Board of Directors resolved, at its meeting of 27 February 2019, at the proposal of the Compensation Committee, to keep the fixed remuneration of the CEO and the General Counsel for 2019 in the same amounts as those established for 2018, namely 1,200 thousand euros for the CEO and 983 thousand euros for the General Counsel.

The fixed remuneration of the CEO remains unchanged since his appointment in 2014 and that of the General Counsel since 2011.

#### **4.1.2. Annual Variable Remuneration**

The annual variable remuneration appraises the contribution of the CEO and the General Counsel towards the fulfilment achievement of predetermined, specific and measurable targets. The Compensation Committee performs an annual review of the conditions of the system in response to Repsol's strategy, its needs and the business situation and establishes the corresponding objectives at the beginning of each year.

The following table details the goals, indicators and weightings proposed by the Compensation Committee for the current year, in respect of the CEO's annual variable compensation, and approved by the Board of Directors at its meeting of 27 February 2019<sup>1</sup>:

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<sup>1</sup> Some of the performance targets for the annual bonus are commercially sensitive and it would be detrimental to the interests of the Company to disclose them before the start of the relevant performance period. The performance targets and level of achievement will be disclosed after the end of the relevant financial year in that year's remuneration report subject to the sensitivity no longer remaining.

CATEGORY	WEIGHT	INDICATOR	WEIGHTING
VALUE	15%	Delivery of the commitments provided in the Strategic Plan: · Improvement of the E&P portfolio (5%) · Downstream Growth (5%) · Development of the Low Carbon Business (5%)	15%
EFFICIENCY	35%	Improvement of the CFFO	20%
		Pre-tax positive impact of the Digitalization: 215 M€	5%
		E&P FCF Breakeven < 50 \$/bbl	5%
		Repsol FCF Breakeven	5%
OPERATIONS	35%	Net profit	20%
		Production: : 720 kboed	5%
		Utilisation of conversion capacity	5%
		Performance of the Electricity and Gas business according to annual budget: number of clients (2.5%) and return on investment EBIT (2.5%)	5%
SUSTAINABILITY	15%	Fulfilment of the path that allows reaching the objective of 3% reduction of carbon intensity in 2020	10%
		Total accident frequency rate and 0 fatalities <sup>1</sup>	5%

<sup>1</sup> In case of any fatality the Compensation Committee will evaluate the penalization to be applied

The Company maintains a continuous dialogue on ESG (environmental, social and governance) matters with its main shareholders and proxy advisors, in order to know first-hand their opinion and positioning regarding these matters and to explain the practices of the Company. As a result of this engagement, the Board of Directors has agreed, at the proposal of the Compensation Committee, to increase the weight of the objectives related to sustainability up to 15% in the 2019 annual variable remuneration of the CEO and specifically include the reduction of carbon intensity. Additionally, after the approval of the 2016-2020 Strategic Plan update in July 2018, new targets have been included aligned with the three pillars of the updated Strategic Plan –increasing shareholder remuneration, profitable growth of the Upstream and Downstream, and development of new businesses linked to the energy transition–.

A scale of achievement is associated to each indicator defined according to its variability and level of achievement. These scales have a minimal compliance threshold, below which they do not generate a right to an incentive, and a maximum level, set at 110%, although the degree of achievement overall the objectives to be determined by the Compensation Committee shall not exceed 100%.

In relation to the General Counsel, the targets considered are related to strategic, efficiency, operations and sustainability targets as well as objectives related to the following: a) Corporate transactions and other tasks; b) Corporate Governance; c) Institutional Relations; d) Legal Affairs; and e) Repsol Foundation.

For the calculation of the amount of the variable remuneration the fulfilment and the weighting of each of the targets will be considered. In order to ensure that the annual variable remuneration retains an effective relationship with the professional performance of the beneficiaries, when determining the level of compliance with the quantitative objectives, positive or negative economic effects that arise from extraordinary events and that could distort the assessment results are eliminated.

At year-end, the Compensation Committee conducts an appraisal based on the information provided by the Financial and Persons and Organization areas on the results obtained by the Company. Depending on the level of compliance of each objective and its weighting, a weighted average fulfilment level is calculated.

With regards to the CEO, the structure of his annual variable remuneration for 2019 is maintained in the same terms as per 2018, with amounts varying between 0%, if the minimum fulfilment threshold is not reached, and 100% of his fixed remuneration, if 100% of the established targets is reached.

Therefore, in a scenario where 100% of the targets are achieved, the CEO would receive 1,200 thousand euros as annual variable remuneration. Notwithstanding that, the Board of Directors retains the ability to adjust, to a maximum of 20% upwards or downwards, the final quantitative results for the annual variable remuneration of the CEO, depending on the quality of results, individual performance and other issues that require qualitative measurement. Thus, the maximum amount of the annual remuneration for the CEO could amount up to 1,440 thousand euros in the event of overachievement of targets and outstanding personal and Company's performance. In case the Board of Directors resolves on such adjustment, the Company will be provide additional and detailed information about the rationale of the adjustment.

Similarly, the General Counsel's annual variable remuneration is also maintained for 2019 in the same terms laid down in the approved Remuneration Policy, with amounts varying between 0% and 90% of the fixed remuneration. Therefore, in a scenario where 100% of the targets are achieved, the General Counsel would receive 885 thousand euros as annual variable remuneration.

The annual variable remuneration is paid entirely in cash.

#### **4.1.3. Long-term Variable Remuneration**

Repsol has implemented many long-term incentive plans for managers and other employees of the Group, including the CEO and the General Counsel to promote the reciprocal generation of value for the Group, for its shareholders and for its employees; to foster the commitment of its beneficiaries as well as to compensate the creation of sustainable value for shareholders at long-term.

These programs are independent of each other, 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 in force at each moment, directly aligned with



maximizing the value of the Company in a sustained manner as well as the retention of the beneficiaries until the end of the vesting period.

In line with this policy, in 2019 the LTI 2019-2022 has been launched with the following targets, metrics and weights that the Board of Directors has approved in its meeting of February 27, 2019, based on a proposal of the Compensation Committee<sup>1</sup>:

CATEGORY	GLOBAL WEIGHT	METRICS	WEIGHT
UPSTREAM	25%	E&P annual FCF Breakeven < 50 \$/bbl	12.5%
		Reserves Replacement Ratio (RRR) ≥ 100%	12.5%
DOWNSTREAM	25%	Refining & Marketing Integrated margin in comparison with industry (Eni, Total, Cepsa, Galp, Saras, OMV, MOL, Neste Oil, Hellenic)	15%
		Low Carbon Business ( <i>clients, wholesale share, generation, EBITDA, ROACE</i> ): fulfilment of the path that allows delivering the 2025 strategic commitments	10%
VALUE CREATION	35%	Total Shareholders Retribution (TSR) vs peers (Total, RD Shell, BP, ENI, OMV, Statoil, GALP, Iberdrola, Naturgy y Endesa)	25%
		Maintaining current rating	5%
		Pre-tax positive impact of the Digitalization in the CFFO	5%
SUSTAINABILITY	15%	Emissions reductions	10%
		Process Security Index (PSIR)	5%

As per the annual variable remuneration, as a result of the Company's engagement with its main shareholders and proxy advisors, the Board of Directors has agreed, at the proposal of the Compensation Committee, to increase the weight of the objectives related to sustainability up to 15% in the long-term variable remuneration of the Chief Executive Officer and the General Secretary Director.

On the other hand, the 2017 Annual Remuneration Report stated that the targets, metrics and weights of the Long-Term Incentive Program 2018-2021 that was launched in 2018 would be defined after the update of the Strategic Plan 2018-2020 of the Company which was approved on June 5, 2018. Thus,

<sup>1</sup> Some of the performance targets are commercially sensitive, and it would be detrimental to the interests of the Company to disclose them before the start of the relevant performance period. The performance targets and level of achievement will be disclosed after the end of the relevant financial year in that year's remuneration report subject to the sensitivity no longer remaining.

the Board of Directors approved, at its meeting of July 25, 2018, the following targets for the Long-Term Incentive Program 2018-2021<sup>1</sup>:

CATEGORY	GLOBAL WEIGHT	METRICS	WEIGHT
UPSTREAM	27.5%	E&P annual FCF Breakeven at the end of the period < 50\$/bbl	12.5%
		Operating Cash Flow	10%
		Production increase: 2.6%	5%
DOWNSTREAM	27.5%	Refining & Marketing Integrated margin in comparison with industry (Eni, Total, Cepsa, Galp, Saras, OMV, MOL, Neste Oil, Hellenic)	12.5%
		Operating Cash Flow	10%
		Low Carbon Business ( <i>clients, wholesale share, generation, EBITDA, ROACE</i> ): fulfilment of the path that allows delivering the 2025 strategic commitments	5%
CREACIÓN DE VALOR	35%	Adjusted Net Result	15%
		Total Shareholders Retribution (TSR) vs peers (Total, RD Shell, BP, ENI, OMV, Statoil, GALP, Iberdrola, Naturgy y Endesa)	15%
		Pre-tax positive impact of the Digitalization in the CFFO	5%
SOSTENIBILIDAD	10%	Emissions reductions	5%
		Process Security Index (PSIR)	5%

For both Programmes, a scale of achievement will be associated to each indicator defined according to its variability and level of achievement. These scales will have a minimum fulfilment threshold, under which there will no entitlement to incentive, and a maximum of 100%.

Every year the Compensation Committee determines the weightings of the objectives and associated indicators considering Repsol's strategy, needs and business situation. To determine the incentive, the Compensation Committee considers the overall degree of fulfilment of the program, as well as the individual performance of the beneficiary.

With regards to the CEO, the structure of his long-term variable remuneration for 2019 is maintained in the same terms laid down in the approved Remuneration Policy, with amounts varying between 0%, if the minimum fulfilment threshold is not reached, and 120% of his fixed remuneration, if the joint fulfilment of the program's targets is 100%.

<sup>1</sup> Some of the performance targets are commercially sensitive, and it would be detrimental to the interests of the Company to disclose them before the start of the relevant performance period. The performance targets and level of achievement will be disclosed after the end of the relevant financial year in that year's remuneration report subject to the sensitivity no longer remaining

Therefore, with a 100% level of achievement, the CEO would receive 1,440 thousand euros as long-term variable remuneration. Notwithstanding that, the Board of Directors retains the ability to adjust, to a maximum of 20% upwards or downwards, the final quantitative results for the long-term variable remuneration, depending on the quality of results, individual performance and other issues that require qualitative measurement. Thus, the maximum amount of the long-term incentive for the CEO could amount up to 1,728 thousand euros in the event of overachievement of targets and outstanding personal and Company's performance. In case the Board of Directors resolves on such adjustment, the Company will provide additional and detailed information about the rationale of the adjustment.

Similarly, the General Counsel's long-term variable remuneration is also maintained for 2019, varying between 0% and 100% of the fixed remuneration. Therefore, with a 100% level of achievement, the General Counsel would receive 983 thousand euros as long-term variable remuneration.

Once the measurement period of the long-term incentive is over, the Compensation Committee will perform, in the first quarter of 2023, an appraisal of the fulfilment levels achieved in each of the objectives and the plan as a whole, based on the information provided by the Company, and will propose the amount of incentive to apply according to the established achievement scales.

Payment of the Long-Term Incentive corresponding to the CEO and General Counsel Director will be paid as follows: 70% of the total will be paid in cash and 30% of the total will be paid in Company shares.

In this regard, the Executive Directors may not transfer the shares of the Company delivered, nor directly or indirectly arrange hedges on them for a period of one year after they are delivered. Nor may they directly or indirectly arrange hedges on the shares prior to the delivery.

The shares delivered, where applicable, to the Executive Directors pursuant to each Long-Term Incentive, may be calculated for the investment in shares referred to in the Beneficiaries' Share Purchase Plan of the Long-Term Incentives Programmes described in section 4.1.4 below.

The final number of shares that in each settlement of the Long-Term Incentive are delivered to the Executive Directors will be calculated taking into account: (i) the long-term variable remuneration that must effectively be paid in shares to each Director after applying the corresponding taxes (or withholdings); and (ii) the average weight by daily volume of the average weighted prices of the Repsol share corresponding to the 15 stock market sessions prior to the Friday, exclusive, of the week prior to the date on which the Board resolves to pay the long-term variable remuneration to the Executive Directors corresponding to each LTI. Specifically, the number of shares to be received with a charge to each LTI will be determined, after applying the appropriate taxes (or withholdings), pursuant to the following formula: "Shares to deliver = (long-term variable remuneration amounts in shares/reference price)".

#### **4.1.4. Share Purchase Plan for Beneficiaries of the Long-Term Incentive Programs**

The Executive Directors participate in the Share Purchase Plan for Beneficiaries of the Long-Term Incentive Programs implemented by the Company, the purpose of which is to promote the alignment of their long-term interests with the interests of the shareholders and the Company.

This Plan is instrumented through a share purchase program, the first five cycles of which were approved by the General Shareholders Meeting on 15 April 2011, with five additional cycles approved at the General Meeting of 20 May 2016. The Plan allows its beneficiaries to invest a maximum amount in Repsol shares, so that if they hold the shares for a period of three years and comply with the Plan's other conditions, the Company will give them one additional share for every three shares initially bought by them at the end of the specified period.

To simplify the implementation of the Plan, solely to determining its beneficiaries and the maximum amount that they may invest in it, the long-term incentive programs have been taken as a reference. Consequently, only the beneficiaries of the LTI programs may be beneficiaries of this Plan and the maximum amount that may be invested in it is the equivalent of 50% of the gross amount of the long-term incentive received by each beneficiary.

Beneficiaries with Senior Management status, meaning the Executive Directors and those directors who are part of the Executive Committee or any other equivalent committee that may replace it in the future have additional performance targets. Thus, these beneficiaries will only be entitled to receive the extra share if, in addition to complying with the general conditions of the Plan applicable to all the beneficiaries, the overall a level of compliance of the targets established for the Long-Term Incentive program closed in the financial year immediately preceding the date of delivery of the shares, is equal or greater than 75%.

At 2018 year end, the Sixth (2016-2019), Seventh (2017-2020) and Eighth (2018-2021) cycles of the Beneficiaries' Share Purchase Plan for the Long-Term Incentive Programs were in force.

The consolidation period of the 6th Cycle of the Plan (2016-2019) is expected to be completed in 2019, which the CEO participate in, as well as the launching of the Ninth Cycle of the Share Purchase Plan for Beneficiaries of the Long-Term Incentive Program (2019-2022).

#### **4.1.5. Ex-post control of the annual and long-term variable remuneration**

In accordance with the terms of the Remuneration Policy, the Compensation Committee has the power to propose the cancellation of the payment of the short and long-term variable remuneration, upon the emergence of circumstances that show that the remuneration was paid based on inaccurate or erroneous data. Thus, the Compensation Committee may claim for the reimbursement (clawback) of the variable components of the Executive Directors' remuneration when the payment has not been

adjusted to the performance conditions or when it has been awarded based on data that is subsequently shown to be inaccurate.

In particular, the conditions of the Share Purchase Plan for Beneficiaries of the Long-Term Incentive Programs establish, in addition to the beneficiary remaining in the Repsol Group, that the accrual of the extra shares is conditional upon not having occurred, in the period prior to each allocation of shares, in the opinion of the Board of Director, based on a report by the Compensation Committee, the material restatement of the Company's financial statements if this affects the degree of fulfilment of the objectives set for the relevant long-term remuneration program, except when this is due to a change to the accounting principles.

The Board Regulation, the Internal Code of Conduct for the Repsol Group as regards securities markets, and the Code of Ethics and Conduct ([www.repsol.com](http://www.repsol.com)) regulate conflicts of interest and the framework of actions that must be followed by individuals facing a potential conflict.

#### **4.1.6. Long-Term Saving Systems**

As a result of his previous employment relationship, the CEO participates in the Group's Executives' Benefits Plan under the terms envisaged in its Regulations. This benefits plan system is a defined contribution system. According to the formula envisaged in the Executives' Benefits Plan Regulations, the annual retirement contributions are equivalent to approximately 20.5% of his FR, which is contingent upon him remaining employed by the Group. The contingencies covered in the EBP are the following: (i) retirement, (ii) disability and (iii) death.

The economic rights accumulated in the Executives' Benefits Plan will vest if the CEO's relationship with the Company is terminated because of:

- A unilateral decision by the Company, provided that it is not based on the grounds envisaged in articles 40, 41 or 50 of the Spanish Workers' Statute (*Estatuto de los Trabajadores*).
- An unjustified disciplinary dismissal.
- An objective dismissal or if the relationship is terminated due to organisational, economic, productive or technical grounds, whether or not it is declared or recognised as justified or unjustified.
- A termination according to the CEO's decision for any of the reasons envisaged in articles 40, 41 or 50 of the Spanish Workers' Statute.

Additionally, the CEO participates in the Repsol pension scheme, the maximum contribution to which is set at 7 thousand euros per year.

In turn, the General Counsel participates in a deferred remuneration scheme called the “*Length of Service Reward*”, which is intended to encourage his continuity in the Repsol Group. This defined contribution system is implemented through the investment fund called “*Fondo de Permanencia, FI*”. Repsol makes annual contributions for an amount equivalent to 20% of the General Counsel’s annual fixed remuneration, and in exchange receives shares in the Fund. These shares are owned by Repsol until the General Counsel retires, at which point the right will vest and be transferred to him, together with the ownership. He will also be entitled to the cumulative amount of the Length of Service Reward upon the termination of his contract in those cases in which he is entitled to compensation. These cases are described under section 4.1.8 of this Report.

The long-term savings systems do not stipulate that Executive Directors must be paid when they cease to perform their executive functions or cease to be directors of the Company, however, the amounts of the Executive Directors’ long-term savings systems, which they will receive when the criteria are met for them to vest, are compatible with the benefits in the event of termination of the relationship envisaged in their respective contracts and that is explained in paragraph 4.1.8 of this Report.

Taking into account the foregoing, the expectation is that in 2019 contributions will be made to the Executive Directors’ pension plans and benefits plans, as the case may be, amounting to 254 thousand euros for the CEO and 197 thousand euros for the General Counsel Director.

#### **4.1.7. Other benefits**

The Executive Directors are beneficiaries of certain payments in kind that include, among other matters, life and disability insurance and health insurance. As applicable, these payments also include the payments on accounts linked to cash remuneration. The amount foreseen for 2019 of these perceptions will be in line with the amount paid in 2018. The exact amounts paid during 2018 will be detailed in the 2019 Annual Report on the Remuneration of Directors.

Repsol’s policy does not provide for the Company granting any advances, loans or guarantees to the Executive Directors

Furthermore, the Executive Directors may receive an additional fixed remuneration for sitting on the boards of directors of other Repsol investee companies.

#### **4.1.8. Main conditions of the contracts of the Executive Directors**

The remuneration, rights and financial rewards of the Executive Directors are determined in their respective contracts, always respecting the provisions of the Company’s Bylaws and the Remuneration Policy.

The contracts signed with the Executive Directors are indefinite, do not provide a notice period for Repsol for its termination and establish a post-contractual non-compete obligation. This obligation

means that, once the term of the contract has expired, they may not provide services in companies similar to Repsol. Furthermore, all the contracts establish the non-compete obligation, for the duration of their relationship with the Company, with business and activities of a similar nature.

The contractual conditions agreed with the CEO include the severance pay limit agreed for new executive directors equivalent to two years' pay which includes also the remuneration for the post-contractual non-compete clause, pursuant to the commitment assumed by the Board of Directors at its meeting of 25 February 2014, at the proposal of the Compensation Committee. This severance payment is foreseen when the contract is terminated for grounds attributable to Repsol or by mutual agreement, if it is in the interest of the Company. If the contract is terminated by unilateral decision of Mr. Imaz, he must notify the Company three months in advance and will only receive one year of his fixed and variable remuneration as compensation for the non-competition clause.

The conditions of the contract of the General Counsel, signed in 2005, were appropriate for the personal, professional and market circumstances prevailing when it was signed. It was approved at the time by the Board of Directors following a favourable report by the Compensation Committee, following an analysis of the market practices prevailing at that time and advice from independent experts. In the event of the contract being terminated on grounds attributable to Repsol, by mutual agreement (if is in the best interests of the Company) or upon the occurrence of objective circumstances, such as a significant change in the ownership of the Company's capital stock, there is a provision for a differed severance for the equivalent of three full years of annual remuneration plus one additional year in consideration of the post-contractual non-compete commitment

#### **4.2. Regarding Directors in their capacity as such**

The remuneration of the Directors, in their capacity as such, is established in line with the Directors' Remuneration Policy approved by the General Shareholders Meeting that seeks to adequately and sufficiently compensate the dedication, qualification and responsibilities of the Directors, without going so far as to jeopardise their independence of judgment. In addition, the policy aims to establish a remuneration consistent with the market, considering the remuneration in comparable organisations, (i.e. the remuneration of directors in other listed business groups (i.e. like Repsol in terms of size, complexity of business and operations and geographic distribution of assets).

The remuneration of the Directors in their capacity as such is made up exclusively of fixed items and does not apply to variable remuneration systems or pension schemes.

The Compensation Committee regularly reviews the remuneration of the Board of Directors, in line with the local and global best practices of corporate governance adopted by institutional shareholders and in accordance with the guidelines of the main *proxy advisors*.

Furthermore, as provided in Article 45 of the Bylaws, the Company has taken out a collective liability insurance policy that covers to the Directors, managers and other employees of the Group who

exercise management-related functions. The policy covers the different companies of the Group under certain circumstances and conditions.

**4.2.1. Maximum limit**

In accordance with article 45 of the Articles of Association, the Directors, as members of the Board and for performing the collective supervision and decision-making functions specific to this body, are entitled to receive a fixed remuneration that may not exceed the amount set for such purposes by the General Shareholders' Meeting or in the Directors' Remuneration Policy.

The maximum limit established for these purposes in the Directors' Remuneration Policy approved by the General Shareholders' Meeting on 19 May 2017 is €8.5 million, including the remuneration of the Chairman of the Board of Directors.

The Board is responsible for determining the exact amount to be paid within the aforementioned limit and its distribution among the various Directors, taking into account the functions and responsibilities attributed to each one, the committees they belong to, the roles they perform within the Board and other objective circumstances it considers relevant.

**4.2.2. Fixed remuneration**

Directors, in their capacity as such, receive a fixed remuneration for carrying out their collegiate supervision and decision-making duties. The calculation of this remuneration, except that of the Chairman, takes place through the allocation of points for belonging to the Board of Directors or to the various committees. Each point is equivalent to a pay amount, thus resulting in different sums for the Directors, based on each of their responsibilities.

For FY 2019 the Board of Directors resolved, at this meeting of 27 February 2019, upon recommendation by the Compensation Committee, to maintain the value of the point in 2019 at the amount set for 2018, 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.

The approved points table for FY 2019 is as follows:

Body	Points
Board of Directors	2
Delegate Committee	2
Audit and Control Committee	1
Nomination Committee	0.25
Compensation Committee	0.25
Sustainability Committee	0.5



### 4.3. Regarding the Chairman of the Board of Directors

The remuneration of the Chairman of the Board of Directors is established in the Directors' Remuneration Policy approved at General Shareholders Meeting and reflects the importance of the Chairman's role, his active involvement in the institutional representation of the Company and his contribution in the office he has held since 30 April 2015, as well as any other criteria contained in the said Policy.

The remuneration of the Chairman of the Board of Directors is formed exclusively by fixed items.

The total fixed remuneration of the Chairman of the Board of Directors amounts to 2,500 thousand euros annually, which includes amounts for sitting on the Board of Directors and Committees of Repsol's Group, multi-group and associated companies. This amount has not varied since the re-election of Mr. Brufau by the General Shareholders Meeting in 2015.

Also, the Chairman of the Board of Directors is also the beneficiary of certain in-kind benefits that include, among others, life and incapacity insurance, medical insurance, the cost of the residence that the Company provides him as a home and for the institutional representation of the Company, the corresponding payments on account arising from such items and the economic compensation for the applicable personal taxation arising from the aforementioned in-kind remuneration (withholdings). The amount foreseen for 2019 of these perceptions will be in line with the amount paid in 2018. The exact amounts paid during 2019 will be detailed in the 2019 Annual Report on the Remuneration of Directors. Notwithstanding the foregoing, the Chairman has communicated his intention to renounce, as of the 2019 General Shareholders Meeting, to the life insurance policy of which he had been a beneficiary to date –which cost for the Company amounts to approximately 300 thousand Euros–. This circumstance will be included in the new Remuneration Policy submitted for approval at the 2019 General Shareholders Meeting.

The remuneration, rights and economic compensation of the Chairman of the Board of Directors is contained in his new contractual conditions, in force as from 1 May 2015 that contemplate a one-year post-contractual non-compete commitment.

In accordance with said contractual conditions, as of the 2019 General Shareholders Meeting, Mr. Brufau will not be entitled to any economic compensation due to the termination of his contract.

## 5. IMPLEMENTATION OF THE REMUNERATION POLICY IN 2018

This section details the remuneration received by the Directors in 2018 in line with the Remuneration Policy adopted by the Company.

### 5.1. Concerning the Executive Directors

#### 5.1.1. Fixed Remuneration

The total amount of the fixed remuneration of the Executive Directors, for performing executive duties, in 2018 amounted to 2,183 thousand euros. The breakdown is as follows:

	Fixed remuneration 2018 in thousands of euros
Mr Josu Jon Imaz	1,200
Mr. Luis Suárez de Lezo	983

#### 5.1.2. Annual Variable Remuneration

In the year 2018 the Executive Directors were assigned variable annual remuneration in line with the Remuneration Policy.

The following table details the categories of targets approved by the Board of Directors, on the proposal of the Compensation Committee, with regards to the annual variable remuneration of the CEO as well as the indicators, weightings and the degree of fulfilment that have determined the amount of the annual variable remuneration for 2018:

CATEGORY	TOTAL WEIGHT	METRIC	WEIGHT	2018 TARGET VALUE	VALUE OBTAINED	% ACHIEVEMENT	DFO*	
<b>STRATEGY</b>	20%	New Strategic Plan	20%	To be valued by CR	See detail of achievements <sup>1</sup>	100%	20	<b>100%</b>
<b>EFFICIENCY</b>	30%	Efficiencies – AB18 Commitment	15%	· Downstream: €500M (efficiencies) · Upstream: \$11.96/bbl (opex/bbl) · Corporation: €953M (opex)	· Downstream: €544M (efficiencies) · Upstream: \$11.94/bbl (opex/bbl) · Corporation: €918M (opex)	110%	16.50	<b>101%</b>
		Repsol FCF Breakeven	15%	AB18: \$59.9/boe	2018: \$62/boe	92%	13.85	
<b>OPERATIONS</b>	45%	Adjusted net profit	20%	AB18: €2.100M	2018: €2.352M	110%	22	<b>107%</b>
		Net debt	10%	AB18: €2.982M	2018: €2.367M	110%	11	
		Production	10%	AB18: 725K boe/d	2018: 715.4K boe/d	98%	9.78	
		Utilisation of conversion capacity	5%	AB18: 103%	2018: 106.6%	110%	5.50	
<b>SUSTAINABILITY</b>	5%	Total frequency rate and fatalities	5%	Total frequency rate: 1.73 and 0 fatalities	2018: 1.59 and 2 fatalities	0%	0	<b>0%</b>
<b>Degree of Fulfilment of the Objectives of the Program</b>							<b>98.6</b>	<b>98.6%</b>

\* The Degree of Fulfilment of the Objectives of the Program (DFO) applied cannot exceed 100%.

\*\* The target value corresponds to the values contained in the budget.

\*\*\* The values achieved have been homogenized, as provided in their definition, by the inorganic operations not foreseen in the budget.

Notwithstanding the Degree of Fulfilment of the Objectives set for the annual variable remuneration of the CEO (98.6%), because of the two fatalities of subcontracted staff that occurred due to traffic accidents in 2018, the Compensation Committee submitted to the Board of Directors, and this has resolved, to reduce the fulfillment rate to 90%.

Accordingly, the amount of the CEO's annual variable remuneration for 2018 amounts to 1,080 thousand euros that represent 90% of his fixed remuneration.

In relation to the General Counsel, the targets set for the 2018 annual variable remuneration were related to strategic, efficiency, operations and sustainability targets as well as objectives related to the

- <sup>1</sup>On 6 June 2018, the strategy update for the 2018-2020 fiscal years was presented, which focused on growth and value in any scenario, based on four pillars: (i) improving shareholder remuneration; (ii) profitable portfolio growth; (iii) progress in energy transition; and (iv) financial flexibility.
- It was disseminated through a roadshow in 10 different cities, visiting 106 investors, representing 18% of the capital. The CEO visited six cities and personally met with 77 investors (14% of capital).
- In 2018, our credit rating rose: Moody's increased our credit rating to Baa1 (vs. Baa2 previously) and both Standard & Poor's and Fitch changed the outlook to positive (vs. neutral).
- The issuance of the Strategic Plan serves as a solid reference point for the market, as it clearly explains our objective and our plan to achieve it, which has given rise to some very positive results (a greater increase in share price vs. comparable companies, boost in purchase recommendations, increase of target price, and positive feedback from analysts).

following: a) Corporate transactions and other tasks; b) Corporate Governance; c) Institutional Relations; d) Legal Affairs; and e) Repsol Foundation. The Compensation Committee has analysed the milestones and actions implemented regarding these targets, being the fulfilment rate achieved 90%, which involves the payment of 796 thousand euros (81% of his fixed remuneration).

For these purposes, the ex-post control mechanism—provided for in the Remuneration Policy pursuant to section 4.1.5. of this report—has not been applied to the annual variable remuneration of Executive Directors.

On the basis of the foregoing, at its meeting of 27 February 2019, at the proposal of the Compensation Committee, the Board of Directors resolved to pay the amounts indicated below as the annual variable remuneration of the CEO and the General Counsel corresponding to 2018.

	Annual Variable Remuneration 2018 in thousands of euros
Mr. Josu Jon Imaz	1,080
Mr. Luis Suárez de Lezo	796

**5.1.3. Long-Term Variable Remuneration**

The Long-Term Incentive 2015-2018 Program closed on December 31, 2018 as per its terms and condition.

The following table details the objectives, weightings, indicators and scales of attainment for each category of targets that determined the remuneration payable:

Category	Total Weight	Metric	Weight	2015-2018 Cumulative Target Value	Individual achievement %	Overall achievement %
UPSTREAM	40%	Investment efficiency	7.5%	Real capex < Expected capex under the current Strategic Plan	100%	36.3%
		Annual FCF breakeven	11.3%	Real E&P FCF Breakeven < Target E&P FCF Breakeven	100%	
		Acquisition and integration of Talisman	6.3%	Acquisition materialisation; fulfilment of Integration Project milestones; adaptation of the organisation and identification of synergies.	60%	
		Value of Talisman assets	5%	NPV asset value ≥ PPA asset value	75%	
		Value of goodwill associated with the acquisition of Talisman	5%	Absence of Goodwill impairments	100%	
		Project implementation (time and cost): Lapa, Reggane, Kinabalu, MAR and Sagari	5%	Delay ≤ 6 months and real cost ≤ 110% vs. FID	100%	
DOWNSTREAM	20%	Repsol's Integrated refining and marketing margin vs. sector	10%	First or second quartile of the sector of the peer group (Eni, Total, Cepsa, Galp, Saras, OMV, MOL, Neste Oil, Hellenic)	100%	20%
		Cash flow generation	10%	Real FCF ≥ FCF expected under the current Strategic Plan	100%	
CREATION OF VALUE AND RESILIENCE	30%	Synergies and Efficiency Program in opex	10%	Real opex savings ≥ Expected Opex savings under the current Strategic Plan	100%	30%
		Adjusted net profit	10%	Real Adjusted net profit ≥ Expected adjusted net profit under the current Strategic Plan	100%	
		Divestment plan	10%	Real divestments ≥ Expected divestments under the current Strategic Plan	100%	
SUSTAINABILITY	10%	Integrated frequency rate (IFR)	5%	Real IFR average - Average target IFR for the years 2015-2018	87.5%	9.4%
		CO <sub>2</sub> equivalent Emissions reduction plan	5%	Real value of emissions reduced ≥ Target value of emissions reduction	100%	
<b>Total score under the 2015-2018 Plan (Overall Achievement of the Objectives -GCO)</b>						<b>95.6%</b>

The Compensation Committee has employed mathematical formulae to calculate the degree of fulfilment of the pre-established targets based on the information received from the Financial and the People and Organisation areas on the results obtained and based on the objective values initially defined has decided to establish the overall LTI attainment level at 95.6%.

Likewise, to determine the amounts of long-term variable remuneration payable to the Executive Directors, the Compensation Committee has also valued their personal performance. In this way, the Long-Term Incentive to be settled is determined as the product of the target incentive amount granted for said program (LTI) by the Overall Achievement of the Objectives (GCO) thereof and by the average

reached in the individual performance evaluation of the beneficiary during the years included in the measurement period of each program (D).

$$\text{Incentive to pay} = \text{LTI target} \times D \times \text{GCO}$$

The incentive to be received by the CEO has been equivalent to 91.35% of the maximum attainable incentive, and the incentive to be received by the General Counsel has been 86.04%, thus giving rise to payment of the following amounts approved by the Board of Directors upon a proposal from the Compensation Committee:

	Long-Term Variable Remuneration 2018 in thousands of euros
Mr Josu Jon Imaz	1,315
Mr. Luis Suárez de Lezo	846

In the case of the CEO, the amount is equivalent to 109.61% of his fixed annual remuneration and for the General Counsel the amount represents 86.04% of his fixed annual remuneration.

For these purposes, the ex-post control mechanism—provided for in the Remuneration Policy pursuant to section 4.1.5. of this report—has not been applied to the annual variable remuneration of Executive Directors.

In accordance with the resolutions passed by the General Shareholders Meetings on May 19, 2017 and as indicated under paragraph 4.1.3 above, the amount of the Long-Term Incentive 2015-2018 will be paid to the Executive Directors in a proportion of 70% in cash and 30% in Company shares, so that the CEO will receive 1,098 thousand euros in cash and 14,330 Company shares –representing an amount of 217 thousand euros– and the General Counsel Director will receive 706 thousand euros in cash and 9,214 Company shares –representing an amount of 140 thousand euros–.

#### **5.1.4. Share Purchase Plan for Beneficiaries of the Long-Term Incentive Programs**

In May 2018, the process of voluntary inclusion in the 8th cycle of the Share Purchase Plan for Beneficiaries of the Long-Term Incentive Program (2018-2021) took place. The CEO allocated a total of 31,575 shares to the Plan, 11,380 of which correspond to shares delivered as partial payment for the 2014-2017 LTI, and 20,195 of which were acquired by Mr. Imaz in order to reach the maximum possible investment in the Plan, equal to 50% of the gross amount of the long-term incentive. For his part, the CEO allocated the 9,623 shares received in partial payment for the 2014-2017 LTI to the Plan.

At the end of the Eighth Cycle of the Plan in June 2021, subject to the conditions laid down in the Rules of the Plan, the CEO may receive a maximum of 10,525 shares and the General Counsel Director a maximum of 3,207 shares.

Additionally, it should be noted that on 29 May 2018 the consolidation period was completed of the Fifth Cycle of the Share Purchase Plan for Beneficiaries of the Long-Term Incentive Program (2015-2018). As a result of this the CEO and the General Counsel consolidated, respectively, rights to delivery of 2,201 and 957 gross shares valued at 164905 euros per share, which entails an amount equivalent to 37 and 16 thousand euros.

It should be noted that as of the date of the present Report, the CEO has 232,865 Company shares representing more than twice his current non-variable remuneration. The number of shares held by the CSG as of this date is 62,557 that represents approximately 100% of his current fixed remuneration. The valuation of the shares held by the Executive Directors is based on the prices of the share on the corresponding acquisition date.

#### **5.1.5. Long-Term Saving Systems**

In 2018, Repsol has contributed 246 thousand euros to the Executives' Benefits Plan explained in paragraph 4.1.6 above in which the CEO participates. In addition, the CEO is also unit-holder of a defined contribution company pension scheme of Repsol, the contribution to which for FY 2018 was seven thousand euros.

The General Counsel participates in a deferred remuneration scheme, called the "*Permanence Reward*" explained as well in paragraph 4.1.6 above. In 2018, Repsol contributed 197 thousand euros.

#### **5.1.6. Other benefits**

The Executive Directors are beneficiaries of certain payments in kind that include, among other matters, life and disability insurance and health insurance. The expenditure associated with in kind benefits received in 2018 amounts to 42 thousand euros for the CEO and 183 thousand euros for the General Counsel.

Meanwhile, in 2018 the Company has not granted any advance payments, loans or guarantees to the Executive Directors.

In addition, the Executive Directors receive an additional fixed remuneration for sitting on the boards of directors of other Repsol investee companies. Thus, in 2018 the CEO and the General Counsel received, respectively, 46 and 92 thousand euros for sitting on the board of Naturgy.

Furthermore, in 2018 the Company issued no severance or early retirement payments to Executive Directors.

### **5.1.7. Main conditions of the contracts of Executive Directors**

The remuneration, rights and financial rewards of the Executive Directors are determined in their respective contracts, always adhering to the Company's Articles of Association and Remuneration Policy.

In 2018, there were no changes in the contractual conditions of the Executive Directors.

### **5.2. Regarding Directors in their capacity as such**

The Board of Directors resolved, at its meeting of 27 February 2018, upon recommendation of the Compensation Committee, to maintain the value of the point in 2018 at the amount of 88,297.11 euros gross/year. In this way, remuneration for membership of the Board of Directors has risen 2.5% since 2009.

For 2018, the total amount of compensation of the Directors for their non-executive functions amounted to 7.058 million euros, including the remuneration of the Chairman of the Board of Directors.

In the Individual Remuneration Tables section, the detail of each Director's compensation is broken down.

Finally, it should be noted that the Company has a collective liability insurance policy that covers the Directors, managers and other employees of the Group who exercise management-related functions, and that also extends to different companies of the Group under certain circumstances and conditions. The overall amount of the premium corresponding to FY 2018 amounted to 1.8 million euros. This amount corresponds to all the insured and therefore does not refer exclusively to the members of the Board of Directors of Repsol.

### **5.3. Regarding the Chairman of the Board of Directors**

For 2018 the total fixed remuneration of the Chairman of the Board of Directors has amounted to 2,500 thousand euros.

In addition, as provided in the Remuneration Policy, the Chairman is the beneficiary of certain in-kind benefits that include, among others, life insurance, medical insurance, the cost of the residence that the Company provides him as a home and for the institutional representation of the Company, the corresponding payments on account arising from such items and the economic compensation for the applicable personal taxation arising from the aforementioned in-kind remuneration (withholdings). The expenditure associated with payments in kind to the Chairman of the Board of Directors amounted to 605 thousand euros.



The Chairman of the Board of Directors has not received any advance payment, loan or guarantee by the Company.

## 6. INDIVIDUAL REMUNERATION TABLES

### 6.1. Remuneration of the Executive Directors for the Financial Year 2018

The following table shows a summary of the accrued gross total remuneration of the Executive Directors during FY 2018:

*(In thousands of euros)*

Remuneration of the Executive Directors for the Financial Year 2018						
Directors	Fixed Remuneration	Annual Variable Remuneration	Remuneration for duties as Director <sup>1</sup>	Long-Term Variable Remuneration in cash <sup>2</sup>	Long-Term Variable Remuneration in shares <sup>3</sup>	Total
Mr. Josu Jon Imaz	1,200	1,080	354	1,098	217	3,948
Mr. Luis Suárez de Lezo	983	796	354	706	140	2,978

**1 Remuneration for duties as Director:** includes the fixed allocation for belonging to the Board and Committees of Repsol S.A.

**2 Long-Term Variable Remuneration in cash:** refers to the remuneration corresponding to the Long-Term Incentive 2015-2018 paid in cash.

**3 Long-Term Variable Remuneration in shares:** refers to the remuneration corresponding to the Long-Term Incentive 2015-2018 paid in shares (14,330 shares in the case of the CEO and 9,214 shares in the case of the General Counsel Director)

With regards to the **Share Purchase Plan for Beneficiaries of the Long-Term Incentive Programs**, on 29 May 2018 the consolidation period of the Fifth Cycle (2015-2018) was completed, whereby the CEO and the General Counsel consolidated the right to receive gross shares for total value shown:

Directors	No. gross shares	Total value (in thousands of euros)	No. net shares delivered
Mr. Josu Jon Imaz	2,201	37	1,521
Mr. Luis Suárez de Lezo	957	16	661

With regards to the current cycles of the Plan, shown below are the number of shares purchased by the CEO and the General Counsel on the Cycle 2018-2021 that will generate, if held for a period of three years and the entire plan's other conditions are met, the delivery of one additional share for every three shares initially purchased:

Number of shares acquired by the Executive Directors	
Directors	2018-2021 Cycle
Mr. Josu Jon Imaz	31,575
Luis Suárez de Lezo	9,623

The following table shows a breakdown of the cost incurred by the Company in contributions to **pension plans** and **welfare schemes** for the Executive Directors for 2018, as well as other remuneration in kind received by the Directors in that period:

*(In thousands of euros)*

Directors	Contributions to Pension Plans	Contributions to Long-Term Saving Plans	Long-Term Saving Systems
Mr. Josu Jon Imaz	7	246 <sup>1</sup>	<b>254</b>
Mr. Luis Suárez de Lezo	N.A.	197 <sup>2</sup>	<b>197</b>

**1 Contributions to the Executives' Benefits Plan** that imply a defined contribution equivalent to approximately 20.5% of the annual fixed remuneration of the CEO.

**2 Contributions to the deferred remuneration scheme**, Length of Service Reward which is a defined contribution equivalent to 20% of the fixed annual remuneration of the General Counsel Director.

*(In thousands of euros)*

Directors	Life Insurance Premiums	Health Insurance and Other Welfare Benefits	Total Payment In Kind
Mr. Josu Jon Imaz	34	8	<b>42</b>
Mr. Luis Suárez de Lezo	160	23	<b>183</b>

## 6.2. Directors' compensation in their condition as such for FY 2018

The personal attendance of the Directors to the Board and Committees meetings in 2018 has been the following:

Number of meetings	Board of Directors 13	Delegate Committee 8	Audit and Control Committee 10	Nomination Committee 11	Compensation Committee 4	Sustainability Committee 4
<b>Executive Directors</b>						
<i>Josu Jon Imaz San Miguel</i>	13/13	8/8	--	--	--	--
<i>Luis Suárez de Lezo Mantilla</i>	13/13	8/8	--	--	--	--
<b>External Institutional Directors</b>						
<i>Jordi Gual Solé<sup>1</sup></i>	8/9	--	--	4/6	--	1/2
<i>Manuel Manrique Cecilia</i>	13/13	8/8	--	--	--	--
<i>Rene Dahan</i>	13/13	8/8	--	--	--	--
<i>José Manuel Loureda Mantiñán<sup>2</sup></i>	11/13	--	--	10/11	4/4	3/4
<i>Gonzalo Gortázar Rotaech<sup>3</sup></i>	9/9	5/5	--	--	3/3	--
<b>Independent Directors</b>						
<i>Ángel Duráñez Adeva<sup>4</sup></i>	13/13	--	10/10	7/7	3/4	--
<i>Artur Carulla Font<sup>5</sup></i>	6/6	4/4	--	4/4	2/2	--
<i>Luis Carlos Croissier Batista<sup>6</sup></i>	13/13	--	10/10	--	--	3/4
<i>Carmina Gayet i Cirera<sup>7</sup></i>	7/7	--	6/6	7/7	--	--
<i>Mario Fernández Pelaz<sup>8</sup></i>	1/1	--	1/1	N.A.	N.A.	--
<i>María Teresa Ballester Fornés<sup>9</sup></i>	13/13	--	10/10	--	4/4	--
<i>Mariano Marzo Carpio</i>	13/13	--	--	11/11	--	4/4
<i>Isabel Torremocha Ferrezuelo</i>	13/13	--	10/10	--	--	--
<i>Ignacio Martín San Vicente<sup>10</sup></i>	7/7	4/4	--	--	2/2	--
<i>J. Robinson West</i>	13/13	8/8	--	--	--	--
<b>Other External Directors</b>						
<i>Antonio Brufau Niubó</i>	13/13	8/8	--	--	--	--
<i>Henri Philippe Reichstul<sup>11</sup></i>	2/2	1/1	--	--	--	--

(1) Mr. Jordi Gual Solé resigned from his post as Director of the Company on 20 September 2018. Additionally, due to other prior commitments to the calling of the meetings of June 26, 2018 of the Nomination and Sustainability Committees and of July 25, 2018 of the Board of Directors and the Nomination Committee, Mr. Gual attended them represented. The materials were circulated before the meetings, so he could raise issues and give comments to the Chairmen of the different bodies in advance of the meetings as well as provide specific voting instructions.

- (2) Due to other prior commitments to the calling of the Board meeting of February 22, 2018 and due to medical issues for the of the Nomination and Sustainability Committees meetings of September 26, 2018, Mr. Loureda attended them represented. The materials were circulated before the meetings, so he could raise issues and give comments to the Chairmen of the different bodies in advance of the meetings as well as provide specific voting instructions
- (3) Mr. Gonzalo Gortázar Rotaache resigned from his post as Director of the Company on 20 September 2018.
- (4) Mr. Durández was appointed member of the Nomination Committee and the Compensation Committee on 11 May 2018, and was named chairman of both Committees on 27 June and 25 July 2018, respectively. Due to other prior commitments to the calling of the Compensation Committee meeting of February 27, 2018, Mr. Durández attended represented. The materials were circulated before the meeting, so he could raise issues and give comments to the Chairman of the Committee in advance of the meeting as well as provide specific voting instructions.
- (5) Mr. Artur Carulla Font concluded his tenure as Director of the Company on 11 May 2018.
- (6) Due to other prior commitments to the calling of the Sustainability Committee meeting of February 26, 2018, Mr. Croissier attended represented. The materials were circulated before the meeting, so he could raise issues and give comments to the Chairman of the Committee in advance of the meeting as well as provide specific voting instructions.
- (7) Ms. Carmina Ganyet i Cirera was appointed Director and member of the Audit and Control Committee and the Nomination Committee on 11 May 2018.
- (8) Mr. Mario Fernández Pelaz resigned from his post as Director of the Company on 20 February 2018.
- (9) Ms. Maite Ballester Fornés was appointed member of the Compensation Committee on 11 May 2018.
- (10) Mr. Ignacio Martín San Vicente was appointed Director and member of the Delegate Committee and the Compensation Committee on 11 May 2018.
- (11) Mr. Henri Philippe Reichstul was appointed Director and member of the Delegate Committee on 30 October 2018.

The amounts accrued individually by the Directors during the last year in their condition as such and their membership of the various Board Committees have been as follows:

(In thousands of euros)

Director	Fixed allocation	Remuneration for membership of Board Committees	TOTAL 2017
<b>Executive</b>			
<i>Josu Jon Imaz San Miguel</i>	177	177	354
<i>Luis Suárez de Lezo Mantilla</i>	177	177	354
<b>Institutional</b>			
<i>Jordi Gual Solé <sup>(1)</sup></i>	118	44	162
<i>Manuel Manrique Cecilia</i>	177	177	354
<i>Rene Dahan</i>	177	177	354
<i>José Manuel Loureda Mantiñán</i>	177	88	265
<i>Gonzalo Gortázar Rotaeché <sup>(2)</sup></i>	118	132	250
<b>Independent</b>			
<i>Ángel Duráñez Adeva <sup>(3)</sup></i>	177	125	302
<i>Artur Carulla Font <sup>(4)</sup></i>	74	92	166
<i>Luis Carlos Croissier Batista</i>	177	132	309
<i>Carmina Ganyet i Cirera <sup>(5)</sup></i>	118	74	192
<i>Mario Fernández Pelaz <sup>(6)</sup></i>	29	22	51
<i>María Teresa Ballester Fornés <sup>(7)</sup></i>	177	103	280
<i>Mariano Marzo Carpio</i>	177	66	243
<i>Isabel Torremocha Ferrezuelo</i>	177	88	265
<i>Ignacio Martín San Vicente <sup>(8)</sup></i>	118	132	250
<i>J. Robinson West</i>	177	177	354
<b>Other outside</b>			
<i>Antonio Brufau Niubó</i>	2,500	-	2,500
<i>Henri Philippe Reichstul <sup>(9)</sup></i>	29	29	58

(1) Mr. Jordi Gual Solé resigned from his post as Director of the Company on 20 September 2018.

(2) Mr. Gonzalo Gortázar Rotache resigned from his post as Director of the Company on 20 September 2018.

(3) Mr. Duráñez was appointed member of the Nomination Committee and the Compensation Committee on 11 May 2018, and was named Chairman of both Committees on 27 June and 25 July 2018, respectively.

(4) Mr. Artur Carulla Font concluded his tenure as Director of the Company on 11 May 2018.

(5) Ms. Carmina Ganyet i Cirera was appointed Director and member of the Audit and Control Committee and the Nomination Committee on 11 May 2018.

(6) Mr. Mario Fernández Pelaz resigned from his post as Director of the Company on 20 February 2018.

(7) Ms. Maite Ballester Fornés was appointed member of the Compensation Committee on 11 May 2018.

- (8) Mr. Ignacio Martín San Vicente was appointed Director and member of the Delegate Committee and the Compensation Committee on 11 May 2018.  
(9) Mr. Henri Philippe Reichstul was appointed Director and member of the Delegate Committee on 30 October 2018.

In addition, the following table shows a breakdown on an individual basis of the amounts earned by the Directors as remuneration for belonging to the governing bodies of other Repsol investees, representing Repsol:

Directors	Remuneration for belonging to the Board of Directors of Naturgy
Mr. Josu Jon Imaz	46
Mr. Luis Suárez de Lezo	92

The table below shows a breakdown of the total remuneration earned by the Directors:

(In thousands of euros)

Directors	Remuneration for Board membership	Remuneration por Committees membership	Fixed Remuneration	Short-term Variable Remuneration	Long-term Variable Remuneration	Compensation	Other items <sup>1</sup>	Total FY 2018	Total FY 2017	Contributions to Long-term saving plans
<b>Executive</b>										
<i>Josu Jon Imaz San Miguel</i>	177	177	1,200	1,080	1,315	--	79	4,028	4,033	254
<i>Luis Suárez de Lezo Mantilla</i>	177	177	983	796	846	--	199	3,178	3,199	197
<b>Institutional</b>										
<i>Jordi Gual Solé</i>	118	44	--	--	--	--	--	162	--	--
<i>Manuel Manrique Cecilia</i>	177	177	--	--	--	--	--	354	354	--
<i>Rene Dahan</i>	177	177	--	--	--	--	--	354	354	--
<i>José Manuel Loureda Mantiñán</i>	177	88	--	--	--	--	--	265	265	--
<i>Gonzalo Gortázar Rotaeché</i>	118	132	--	--	--	--	--	250	376	--
<i>Antonio Massanell Lavilla<sup>(1)</sup></i>	--	--	--	--	--	--	--	--	243	--
<b>Independent</b>										
<i>María Teresa Ballester Fornés</i>	177	103	--	--	--	--	--	280	177	--
<i>Ángel Duráñez Adeva</i>	177	125	--	--	--	--	--	302	280	--
<i>Artur Carulla Font</i>	74	92	--	--	--	--	--	166	398	--
<i>Luis Carlos Croissier Batista</i>	177	132	--	--	--	--	--	309	309	--
<i>Javier Echenique Landiribar<sup>(2)</sup></i>	--	--	--	--	--	--	--	--	129	--
<i>Carmina Ganyet I Cirera</i>	118	74	--	--	--	--	--	192	--	--
<i>Mario Fernández Pelaz</i>	29	22	--	--	--	--	--	51	309	--
<i>Maria Isabel Gabarró Miquel<sup>(3)</sup></i>	--	--	--	--	--	--	--	--	111	--
<i>Mariano Marzo Carpio</i>	177	66	--	--	--	--	--	243	162	--

<i>Isabel Torremocha Ferrezuelo</i>	177	88	--	--	--	--	--	265	177	--
<i>Ignacio Martín San Vicente</i>	118	132	--	--	--	--	--	250	0	--
<i>J. Robinson West</i>	177	177	--	--	--	--	--	354	354	--
<b>Other External</b>										--
<i>Antonio Brufau Niubó</i>	2,500	--	-	--	--	--	605	3,105	3,089	--
<i>Henri Philippe Reichstul</i>	29	29	--	--	--	--	--	58	148	
<b>TOTAL</b>	<b>5,051</b>	<b>2,012</b>	<b>2,183</b>	<b>1,876</b>	<b>2,161</b>	<b>--</b>	<b>883</b>	<b>14,166</b>	<b>14,467</b>	<b>451</b>

- (1) Mr. Massanell resigned from his post as Director of the Company on 20 December 2017.  
(2) Mr. Echenique resigned from his post as Director of the Company on May 19, 2017.  
(3) Ms. Gabarró resigned from her post as Director of the Company on May 19, 2017.

**1 Other Items** Total amount of the remaining compensation accrued in the financial year and not covered by any of the other headings, including remuneration in kind and the amount of the shares received under the Share Purchase Plan for Beneficiaries of the Long-Term Incentive Programs.



## 7. TABLES OF VOTING RESULTS IN GENERAL MEETINGS

The following table lists the vote percentages obtained at the Company's Ordinary General Shareholders Meeting, held in 2018 in relation to the Annual Report on Directors' Remuneration:

<b>Annual Report on Directors' Remuneration</b>		
	<b>Number</b>	<b>% of votes cast</b>
<b>Votes in favour</b>	864,094,909	95.12%
<b>Votes against</b>	32,954,738	3.63%
<b>Abstaining</b>	11,343,820	1.31%

In light of the foregoing and having approved the 2017 Report on Directors' Remuneration with a favourable vote of 94.49%, the remuneration of the Board of Directors is considered consistent with the expectations of the Company's shareholders and will therefore remain unchanged.