



AGM 2012
*Translation of the original in Spanish.
In case of any discrepancy, the Spanish version prevails*

REPORT ON THE REMUNERATION POLICY FOR DIRECTORS OF REPSOL YPF, S.A.

April 17, 2012

CONTENTS

1. INTRODUCTION.....	3
2. REGULATORY FRAMEWORK.....	3
3. DUTIES OF THE BOARD OF DIRECTORS AND THE NOMINATION AND COMPENSATION COMMITTEE.....	4
4. COMPOSITION OF THE NOMINATION AND COMPENSATION COMMITTEE AND THE BOARD OF DIRECTORS	5
5. REMUNERATION POLICY FOR DIRECTORS.....	7
5.1. General principles of the remuneration policy for Directors	7
5.2. Remuneration policy applied in 2011.....	9
5.2.1. Remuneration policy for Directors for performance of duties inherent in the status of Director of Repsol YPF	9
5.2.2. Remuneration policy for Executive Directors for performance of executive duties.....	12
5.2.3. Other payments.....	19
5.2.4. Non-variable remuneration as members of the Board of Directors of other Group companies.....	19
5.2.5. Welfare Schemes	20
5.3. Stock Plans	21
5.4. Civil liability insurance	23
5.5. Other features of the Executive Directors' contracts.....	23
5.6. Remuneration Policy 2012	24

* * *

1. INTRODUCTION

This report (the “**Report**”) sets out the remuneration policy of Repsol YPF, S.A. (hereinafter “**Repsol YPF**” or the “**Company**”) for the members of its Board of Directors and has been drawn up according to the principles of maximum transparency and information on remunerations applied by this Company in its public reporting documents.

The Report contains a description of the basic principles of the Company’s remuneration policy regarding the members of the Board of Directors, addressing the remuneration of Executive and Non-Executive Directors separately, and a detailed disclosure of the different items comprising their remuneration, based on the relevant provisions of the Articles of Association and the Regulations of the Board of Directors, including also a description of the basic principles of the Group remuneration policy.

This Report will be put to an advisory vote by at the Ordinary General Shareholders’ Meeting 2012.

2. REGULATORY FRAMEWORK

Repsol YPF has been publishing information on the remuneration of its Directors since 2003. As far as the applicable legal framework is concerned, the Sustainable Economy Act 2/2011 of 4 March entered into force as of 6 March 2011, amending the Securities Market Act 24/1988 of 28 July to establish the obligation for listed companies to publish an annual report on their directors’ remuneration, to be distributed and put to an advisory vote, under a separate item on the agenda, at the Ordinary General Shareholders’ Meeting (AGM).

In addition, with regard to the reference framework on corporate governance, the National Securities Market Commission (CNMV) approved the Unified Code of Good Governance on 22 May 2006, as the only document on corporate governance recommendations, the main purpose of which was to recast the recommendations existing in Spain up to 2003, the harmonisation thereof made with those published later (OECD principles and European Union recommendations, *inter alia*) and taking

into consideration the points of view of experts in the private sector, the Secretary of State for Economy, the Ministry of Justice and the Bank of Spain.

One of the basic principles of the Code is its voluntary nature, subject to the “comply or explain” principle recognised internationally and expressly contemplated in the current Article 116 of the Securities Market Act.

One of the recommendations made in the Unified Code of Good Governance is for the Board to approve a detailed remuneration policy, to be put to an advisory vote under a separate item on the agenda at the General Shareholders’ Meeting.

Finally, with regard to internal regulations, the Articles of Association and the Regulations of the Board of Directors of the Company lay down the basic principles of the remuneration policy for directors and the duties of the Board of Directors and the Nomination and Compensation Committee in respect of that policy.

With this Report Repsol YPF complies with Article 61 ter of the Securities Market Act, the recommendations of the Unified Code of Good Governance and its internal regulations, continuing in its line of reporting transparency as regards remuneration.

3. DUTIES OF THE BOARD OF DIRECTORS AND THE NOMINATION AND COMPENSATION COMMITTEE

As indicated in the preceding point, the duties of the Board of Directors of Repsol YPF and its Nomination and Compensation Committee regarding remuneration are regulated in the Articles of Association and the Regulations of the Board of Directors.

According to Article 5 of those Regulations, the **Board of Directors** shall approve the remuneration of the Directors and, in the case of Executive Directors, the additional remuneration for the performance of executive duties and other conditions of their contracts. It shall also approve the remuneration policy for Senior Executives.

As established in Article 33 of the Regulations, the **Nomination and Compensation Committee** has the duty of submitting to the Board proposals on its remuneration policy, assessing in its proposal the responsibility, dedication and incompatibilities required of Directors. In the case of Executive Directors, the Committee proposes the

additional remuneration payable for performing their executive duties and for the other conditions of their contracts.

Moreover, as contemplated in Article 33, the Nomination and Compensation Committee also has a duty to submit to the Board of Directors a proposal regarding the remuneration policy for Senior Executives.

The Nomination and Compensation Committee is also responsible for the selection, appointment, re-election and removal of Directors. In this regard, it assesses the competence, expertise and experience required on the Board, defining the duties and skills sought in the candidates for any vacancy and assessing the time and dedication required to be able to perform their duties well. It also proposes the appointment, re-election or ratification of Non-Executive Independent Directors and informs on the appointment, re-election or ratification of other Directors, and on proposals for the appointment and removal of the Chairman, Vice-Chairmen, Secretary and Vice-Secretary of the Board of Directors and the Directors who are to sit on the different Committees.

4. COMPOSITION OF THE NOMINATION AND COMPENSATION COMMITTEE AND THE BOARD OF DIRECTORS

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

The Board appoints the Committee members for terms of four years. Although eligible for re-election on one or several occasions, Committee members shall step down on expiry of their term of office, when they step down as Directors or when so resolved by the Board of Directors, subject to a Report by the Audit and Control Committee.

As of 31 December 2011, the composition of the Nomination and Compensation Committee was as follows.

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

The Nomination and Compensation Committee held five (5) meetings in 2011, with 100% attendance by its members.

As regards the Board of Directors, the General Shareholders Meeting agreed, on May 9, 2007, to establish in 16 the number of Directors, within the limits provided under Article 31 of the Articles of Association.

Notwithstanding the above, after the dismissal presented by Mr. Luis del Rivero Asensio on December 20, 2012, the Board of Directors of the Company is made up of fifteen (15) members, being the majority of them Independent. In particular, two (2) of the Directors are Executive, five (5) are Proprietary and eight (8) are Independent, as follows:

NAME	POSITION	STATUS
Antonio Brufau Niubó	Chairman	Executive
Isidro Fainé Casas	Vice-Chairman	Proprietary
Juan Abelló Gallo	Vice-Chairman	Proprietary
Paulina Beato Blanco	Member	Independent
Artur Carulla Font	Member	Independent
Luis Carlos Croissier Batista	Member	Independent
Ángel Durández Adeva	Member	Independent

Javier Echenique Landiribar	Member	Independent
Mario Fernández Pelaz	Member	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Juan María Nin Génova	Member	Proprietary
Pemex Internacional España, S.A. represented by Marco Antonio de la Peña Sánchez ⁽¹⁾	Member	Proprietary
Henri Philippe Reichstul	Member	Independent
Luis Suárez de Lezo Mantilla	Member and Secretary	Executive

(1) On December 31, 2011 the Director Pemex Internacional España, S.A. was represented by Mr. Jose Manuel Carrera Panizzo.

The Board of Directors held twelve (12) meetings in 2011, with a 99.48% attendance, only one of its meetings being held without the attendance of all of its members¹. The Chairman of the Board of Directors and the Secretary have attended all the meetings held.

5. REMUNERATION POLICY FOR DIRECTORS

5.1. General principles of the remuneration policy for Directors

The principles and criteria applicable for determining the Directors' remuneration, for both their collegiate supervisory and decision-making duties and for the performance of other duties by the Executive Directors, are defined below.

The principles applicable to the remuneration of **Directors** for their collegiate supervisory and decision-making duties are as follows:

¹ The rules established in the current model of Annual Report on Corporate Governance approved by the National Securities Market Commission Circular 4/2007 of 27 December have been followed to calculate non-attendance.

- The remuneration must be sufficient and adequate for the dedication, qualification and responsibilities of the Directors, but not to the extent of compromising their independence.
- Their remuneration shall also be set on arm's length terms, taking into consideration the remuneration established for Directors in other Spanish groups of listed companies having a similar size, business and operating complexity and geographical distribution of assets to those of Repsol YPF.

The remuneration policy for **Executive Directors**, for the performance of their executive duties other than the collegiate supervisory and decision-making duties corresponding to all Board members, is in line with the general remuneration policy for executives in the Repsol YPF Group, described below.

The Company aims to be a benchmark enterprise in all the areas in which it acts, by virtue of its high value added, outstanding business management, organizational and business values and culture and the quality of its management, and for creating value for its shareholders. To achieve those goals, the remuneration policy is based on the following premises:

- Have a competitive overall pay level in respect of other comparable enterprises, to attract, retain and motivate the best professionals. Repsol YPF considers compensation to generate value, through which it assumes a commitment to its executives and makes them feel part of the organization.
- Establish a non-variable remuneration taking account of the references of other comparable enterprises by market and size and the sustained contribution of each executive so that it is competitive with the rest of the market.
- Maintain an annual variable component linked to the achievement of specific, quantifiable objectives aligned with corporate interests, with control and measurement systems to determine the receipt of the variable remuneration according to individual performance assessments and evaluation of the personal contribution to meeting the set objectives.
- Incorporate multi-year medium and long-term variable remuneration systems to encourage the sustained achievement of objectives over time and retain the key executives linked to those objectives.

Based on the foregoing, the Company's remuneration policy was designed taking into account comparative details of the remuneration schemes in other Spanish large business groups of listed companies with a size and importance similar to those of de Repsol YPF. The remuneration of the Executive Chairman has also been determined taking into account the evolution of remuneration trends in the European energy market.

The total compensation, considered the entire pay package, is made up of different items with a view to achieving a balance between them. These pay items are essentially: (i) non-variable monetary remuneration; (ii) annual variable remuneration; and (iii) multi-year variable remuneration; and (iv) welfare schemes.

5.2. Remuneration policy applied in 2011

This section describes the remuneration outline deriving from the policies applied in 2011 to determine:

- The remuneration of the Directors for performance of the collegiate supervisory and decision-making duties corresponding to them as Directors: and
- The remuneration of the Executive Directors for performance of their executive duties.

5.2.1. *Remuneration policy for Directors for performance of duties inherent in the status of Director of Repsol YPF*

Pursuant to Art. 45 of the Articles of Association, the Company may set aside each year a sum equivalent to 1.5% of the total net profit, after funding the legal and any other compulsory reserves and recognising a dividend of at least 4% for shareholders, for remuneration of the members of the Board, as compensation for the collegiate supervisory and decision-making duties corresponding to this body.

The Nomination and Compensation Committee recommends to the Board of Directors the criteria it considers adequate to comply with this provision of the Articles and the Board of Directors then sets the exact amount payable within that limit and its distribution among the different Directors, according to the positions held and duties performed by each one within the Board and its Committees.

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

At the Board meeting held on 23 February 2011, the Board of Directors resolved, upon recommendation by the Nomination and Compensation Committee, to increase the value of the point by 2.5% for 2011, bringing that value to Euros 88,297.11 gross a year. This increase was resolved after analyzing the information on remuneration policies for the Directors of other listed companies having a size, complexity of business and operations and geographical distribution of assets similar to those of Repsol YPF, with a view to keeping the remuneration policy competitive as this amount had not varied since 2008.

The points table is set out below:

Body	Points
Board of Directors	2
Executive Committee (CD)	2
Audit and Control Committee (CAC)	1
Nomination and Compensation Committee (CNR)	0.5
Strategy, Investment and Corporate Social Responsibility Committee (CEIRSC)	0.5

The amounts received in 2011 by each of the Directors for being on the Board of Directors and its different Committees are indicated below:

Director	2011					
	Board	Committees				Total
		CD	CAC	CNR	CEIRSC	
Antonio Brufau Niubó	176,594	176,594	-	-	-	353,188
Isidro Fainé Casas	176,594	176,594	-	-	-	353,188
Juan Abelló Gallo ⁽¹⁾	176,594	29,432	-	-	44,149	250,175
Luis del Rivero Asensio ⁽²⁾	161,878	132,446	-	-	-	294,324
Paulina Beato Blanco	176,594	-	88,297	-	-	264,891
Artur Carulla Font	176,594	176,594	-	44,149	-	397,337
Luis Carlos Croissier Batista	176,594	-	-	-	44,149	220,743
Ángel Durández Adeva	176,594	-	88,297	-	-	264,891
Javier Echenique Landiribar	176,594	176,594	88,297	-	-	441,486
Mario Fernández Pelaz ⁽³⁾	117,729	-	-	29,432	-	147,162
M ^a Isabel Gabarró Miquel	176,594	-	-	44,149	44,149	264,891
Jose Manuel Loureda Mantiñán	176,594	-	-	44,149	44,149	264,891
Carmelo de las Morenas López ⁽⁴⁾	58,865	-	29,432	-	-	88,297
Juan María Nin Génova	176,594	-	-	44,149	44,149	264,891
Pemex Internacional España S.A.	176,594	176,594	-	-	44,149	397,337
Henri Philippe Reichstul	176,594	176,594	-	-	-	353,188
Luis Suárez de Lezo Mantilla	176,594	176,594	-	-	-	353,188

(1) Juan Abelló Gallo was appointed Vicechairman and member of the Executive Committee on 26 October 2011, substituting Luis del Rivero Asensio

(2) Luis del Rivero Asensio resigned from the Board on 20 December 2011 and was substituted by Juan Abelló as Vicechairman and member of the Executive Committee on 26 October 2011.

(3) Mario Fernández Pelaz was appointed Director on 15 April 2011.

(4) Carmelo de las Morenas López resigned from the Board on 15 April 2011.

5.2.2. *Remuneration policy for Executive Directors for performance of executive duties*

As indicated in point 5.1 above, the remuneration policy for Executive Directors for performance of their executive duties is in line with the general remuneration policy for executives in the Repsol YPF Group and contemplates, inter alia, the following items:

- A non-variable remuneration taking account of the level of responsibility of those duties, making sure it is competitive in respect of the remuneration payable for equivalent duties in enterprises comparable with Repsol YPF.
- A variable remuneration which represents a significant proportion of the total remuneration and is linked to the achievement of predetermined, specific, quantifiable objectives directly aligned with the shareholders' interests and linked, in particular, to the objectives established in the Strategic Plan Horizon 2014. The variable remuneration is not based on the general evolution of the markets or the sector, but on achievement of the objectives set and the Company's earnings in the economic environment.

The non-variable and variable (annual, multi-annual and one-off extraordinary bonus) remuneration accrued for each of the Executive Directors in 2011 for their executive work have represented, in relation to their total monetary remuneration, the following percentages:

	Non-variable Remuneration	Variable Remuneration
Antonio Brufau	31%	69%
Luis Suárez de Lezo	27%	73%

5.2.2.1. *Non-variable remuneration*

This remuneration includes the non-variable remuneration of Executive Directors as compensation for their executive positions and duties.

The Nomination and Compensation Committee submits a proposal to the Board of Directors each year regarding the amount of the non-variable remuneration of the

Executive Chairman and the Director-Secretary, and the Board of Directors approves it, if appropriate.

Accordingly, at a Board meeting on 23 February 2011, the Board of Directors resolved, upon recommendation by the Nomination and Compensation Committee, to increase the non-variable remuneration of the Executive Chairman and the Director-Secretary by 2.5% in 2011, since those amounts had not varied since 2008.

The non-variable remunerations received by the Executive Chairman and the Director-Secretary in 2011 are indicated below:

Non-variable remuneration 2011 in thousand Euros	
Antonio Brufau	2,368
Luis Suárez de Lezo	983

5.2.2.2. Annual variable remuneration

This refers to the short-term variable remuneration. The annual variable remuneration is intended to motivate the executive's performance and assesses on an annual basis his contribution towards achievement of predetermined, specific, quantifiable objectives and development of the Organization's values. In particular, these objectives refer to the key indicators for fulfilment of the Strategic Plan in force from time to time.

Based on the foregoing, the annual variable remuneration of the Executive Directors is calculated and received according to the overall assessment of their management.

To calculate the annual variable remuneration of the Executive Chairman for 2011, at its meeting of 23 February 2011 the Board of Directors, upon recommendation by the Nomination and Compensation Committee, previously established some objective, measurable criteria, which were taken into consideration to assess the amount.

The objectives set for the Executive Chairman are linked to the Strategic Plan Horizon 2014 approved by the Company in May 2010 and include the following variables:

- Application of the Strategic Plan 2010-2014.
- Maintenance of the financial and efficiency standards and reduction of costs.
- Earnings of the Company.
- Promotion of policies: (1) reputational; (2) good governance; (3) corporate social responsibility; and (4) environmental.

The Nomination and Compensation Committee assessed the degree of achievement of these objectives at its meeting on 28 February 2012, considering objective, verifiable, quantitative information.

The indicators used for this assessment included objective fulfilment parameters established in the Strategic Plan, which include both commercially sensitive information and other information that the Company announced in its earnings slideshow presented on 29 February 2012, registered with the CNMV, OTCQX and the Argentine National Securities Commission (http://www.repsol.com/imagenes/es_en/WEBCAST_Resultados_4T11_tcm11-618975.pdf), economic and financial details and the tangible results of promotion of the corporate policies described above, including the naming of Repsol YPF leader of the Oil & Gas sector in the prestigious international sustainability index *Dow Jones Sustainability Index World*, numerous other external recognitions of the Company management²,

² Repsol is still included, for the sixth year in succession, in the European index *Dow Jones Sustainability Index Europe* (only 20 Spanish companies have passed the rigorous selection for inclusion in these indexes and 12 companies in the *oil&gas* sector form part of the *Dow Jones Sustainability Index World*). Moreover, for the eighth year in succession, Repsol is included in the indexes *FTSE4Good Global y Europe*; and it has been in the Spanish sustainability index *FTSE4 Good Ibex* since its creation in 2008. Repsol has once again been awarded the *Gold Class Company* rating according to the *Anuario de Sostenibilidad 2011* (Sustainability Yearbook 2011) in recognition of the companies with the best performance in sustainability and corporate responsibility in the world. Repsol YPF has also received recognition from the magazine *Newsweek* as the company with the best environmental performance in the energy sector in the *Green Ranking 2011*. The Company has been recognized as *Best European Energy Company for its executive leadership* according to a study made by the international consultancy *Hay Group* (Repsol is the only energy company in the top 10 of the ranking drawn up in this analysis). In addition, it has been granted the Award for the Spanish Company with the *Best Financial Reporting on Internet, Transparency and Reliability*, in the section of companies listed in the IBEX 35. This is the X edition of these annual awards, granted by the *Spanish Accounting and Business Administration Association (AECA)* and it was awarded the "*Llotja*" Prize for the Best Information provided by Companies for their shareholders and the market, a recognition awarded each year by the Chamber of Commerce of Barcelona. Repsol was also awarded the "*El Diamante de la Compra*" (Purchase Diamond) prize by the *Spanish Association of Procurement, Contracting and Purchase Professionals (AERCE)*, in the innovation category for its new procurements model. Repsol received the emblem "*Equality within the Company*"

the improvement of corporate governance practices, by virtue of which the Company no longer entirely fails to comply with any recommendation of the Unified Code of Corporate Governance, execution of the Corporate Social Responsibility Model, review and update of the Carbon Strategy 2012-2020, and the 21% reduction of the rate of accidents with work absence (own and contractors' employees).

The annual variable remuneration of the Director-Secretary is also calculated according to predetermined, measurable criteria. The amount is approved by the Board of Directors, upon recommendation by the Nomination and Compensation Committee.

The objectives set for the Director-Secretary, apart from being generally related to the Strategic Plan 2010-2014, are especially linked to each of the management departments under his charge and the control of the Company. In particular, they take into account variables related with: (i) control of reserves; (ii) internal audit and control duties; (iii) corporate governance; (iv) institutional relations; (v) corporate responsibility; (v) legal services; and (vi) asset management.

Based on the foregoing and after analyzing the degrees of fulfilment of their respective objectives by the Executive Chairman and the Director-Secretary, the Board of Directors resolved on 28 February 2012, upon recommendation by the Nomination and Compensation Committee, to establish and settle the amounts indicated below as the annual variable remuneration for 2011 to be received by each one.

awarded by the Ministry of Health, Welfare Policy and Equality. It has also received the **Ability Award for the "Best private enterprise"**. Furthermore, Repsol and its Foundation have received the **Discapnet of Fundación Once Prize**. The Chairman del Board has also been awarded the prize for the **"Best Entrepreneur 2010"** by the **Federation of Spanish Chambers of Commerce (FEDECOM)** and was invested *doctor honoris causa* in 2011 by the **University of Ramón Llull**.

**Annual variable remuneration 2011
in thousand Euros**

Antonio Brufau	337 (*)
Luis Suárez de Lezo	442

(*) As regards the Executive Chairman, although he has accrued an annual variable remuneration of 1,065,487.50€, under his terms of contract the amounts corresponding to him according to the Articles of Association for being on the boards of the Repsol YPF Group and its subsidiaries, which amounted to 728,268.86€ in 2011, must be deducted from this amount, so the sum finally received by the Executive Chairman as annual variable remuneration is the amount set out in the above table.

5.2.2.3. One-off extraordinary bonus 2011

As an exception in 2011, implementing the resolution passed by the Board of Directors on 23 February 2011, following a favourable report issued by the Nomination and Compensation Committee, the Executive Directors and other senior executives earned a one-off extraordinary bonus in 2011 associated with the achievement of certain strategic landmarks for the Company, such as the execution of the agreements with China Petroleum & Chemical Corporation ("**Sinopec**") to develop jointly exploration and production projects in Brazil. Said execution was carried out by means of the capital increase of 7,111 USD millions in Repsol Brasil S.A. (now Repsol Sinopec Brasil, S.A.), subscribed up entirely by Sinopec on December 28, 2010 that motivated a significant earnings growth in 2010. It is, therefore, a one-off, extraordinary remuneration associated with 2010 and is consequently not expected to be a recurring payment in the future.

The amount of the extraordinary bonus awarded to the Executive Chairman and the Director-Secretary is as follows:

Extraordinary bonus 2011 in thousand Euros	
Antonio Brufau	2,772
Luis Suárez de Lezo	1,678

5.2.2.4. Multi-year variable remuneration

Since 2000, the Company has implemented four-year monetary incentive programs linked to the achievement of medium-term objectives, with a view to retaining and motivating the key executives related with those objectives and securing a sustained maximization of the value of Repsol. Those programs have been approved by the Board of Directors of Repsol YPF, upon recommendation by the Nomination and Compensation Committee. The beneficiaries of these programs are the executives and, selectively, other employees with a high qualification and potential for the Company.

At year-end 2011 the Medium-Term Remuneration Programs 2008-2011, 2009-2012, 2010-2013 and 2011-2014 were in force, although the first of them (2008-2011) was closed, in accordance with its terms, as of 31 December 2011 and its beneficiaries will receive the corresponding variable remuneration in the first quarter of 2012, after assessing the degree of achievement of its objectives.

The aforesaid programs are independent of one another but their main features are the same. In all cases they are specific multi-year remuneration schemes for the years contemplated in each one. Each scheme is linked to the fulfilment of a number of objectives and strategic commitments established in the Group's Strategic Plan in force from time to time and are directly aligned with the shareholders' interests, in that they contribute to the generation of value for the Company. Both the objectives and the variables used to measure their achievement are previously established by the Board, following a report by the Nomination and Compensation Committee.

If they meet their respective objectives, the beneficiaries of each scheme are entitled to a medium-term variable remuneration in the first quarter of the year after the end of the scheme. The Nomination and Compensation Committee assesses the level of

achievement of the predetermined objectives and submits its proposal to the Board of Directors. However, in each case receipt of the incentive is conditional upon the beneficiary remaining in the Group up to 31 December of the last year of the program, save in the special cases contemplated in the regulations of each program.

The sum receivable under each of the incentive programs is calculated by applying two variable coefficients: one according to the degree of achievement of the set objectives and the other linked to the personal performance of the beneficiary during the period contemplated in the program.

Several variables have been taken to determine the degree of fulfilment of the objectives in the Medium-Term Remuneration Program 2008-2011, within the different business, corporate and financial objectives, those variables being weighted to establish the final value of the objective.

Within the business objectives, the Committee took particularly into account the core growth variables in the Downstream area and focused growth in the Upstream area. Within the corporate and financial objectives, the variables used are those of optimization and financial discipline, value creation and safety and environment.

To be able to assess the level of fulfilment of each variable, coefficients have been established according to certain indicators within each of the variables mentioned. The degree of individual fulfilment is calculated by comparing the real values and the reference values of those indicators.

The indicators used to determine the degree of fulfilment of the (IMP) 2008-2011, in respect of the Upstream Area, include, inter alia, the reserve replenishment ratio, prospecting success rate, increase in production and volume of LNG put on the market. In Downstream, the degree of execution of the two major projects in Spain (Cartagena and Bilbao) and the integrated refining and marketing margin were taken as reference; and for the safety and environment objective, the rate of accidents with work absence and the reduction of greenhouse gas emissions were taken as reference.

According to the Executive Chairman's terms of contract, he receives a multi-year variable remuneration based on the degree of achievement of the objectives approved for the variable remuneration programs for Executives of the Repsol YPF Group. Consequently, although the Executive Chairman does not currently participate in any of the Medium-Term Remuneration Programs open, the degree of

achievement of the objectives approved for the corresponding incentive scheme ending in each year is taken as reference to determine the amount of his multi-year variable remuneration, paid in the following year.

The Director-Secretary is a beneficiary of the Medium-Term Remuneration Programs 2008-2011, 2009-2012, 2010-2013 and 2011-2014.

The Nomination and Compensation Committee agreed at its meeting on 28 February 2012 to set the degree of fulfilment of the objectives of the Medium-Term Remuneration Program 2008-2011 at 86.3% and, accordingly, to submit a proposal to the Board of Directors proposing the amounts of multi-year variable remuneration for the Executive Chairman and the Director-Secretary, as indicated in the following table. The Board of Directors resolved on 28 February 2012 to approve the proposal of the Nomination and Compensation Committee to pay the amount of the multi-year variable remuneration of the Executive Chairman and the Director-Secretary for 2011.

Multi-year variable remuneration 2011 in thousand Euros	
Antonio Brufau	1,553
Luis Suárez de Lezo	586

5.2.3. Other payments

In addition, the expense for 2011 corresponding to payments in kind received by the Executive Directors amounts to 52 thousand Euros for the Executive Chairman and 4 thousand Euros for the Director-Secretary.

5.2.4. Non-variable remuneration as members of the Board of Directors of other Group companies

The Executive Directors may receive an additional non-variable remuneration for being on the boards of directors of other Group, multigroup or associated companies.

In this regard, in 2011 the Executive Chairman and the Director-Secretary received the amounts indicated below for being on the boards of directors of other Group, multigroup or associated companies. As indicated in point 5.2.2.b) above, these amounts corresponding to the Executive Chairman are deducted from his annual variable remuneration.

	Remuneration 2011		
	in thousand Euros		
	Gas Natural SDG, S.A.	YPF, S.A.	Total
Antonio Brufau	290	85	375
Luis Suárez de Lezo	152	84	235

The Non-Executive Directors have not received any other remuneration for being on the boards of other Group, multigroup or associated companies.

5.2.5. Welfare Schemes

Repsol YPF considers that the pay package of the Executive Directors should have a composition in line with market trends, so the emoluments described above are supplemented with a welfare scheme. The Non-Executive Directors are not beneficiaries of any Repsol YPF welfare scheme.

The Executive Chairman has an insurance policy covering retirement, disability and death, in which Repsol YPF is named policyholder. The beneficiary for retirement and disability is the Executive Chairman himself, and in the event of his death, the beneficiaries shall be the persons designated by the Executive Chairman.

The Director-Secretary is a beneficiary of the "Permanence Reward", a deferred compensation rewarding his permanence in the Repsol YPF Group. This compensation is structured in an investment fund called "Permanence Fund, FI".

Each year Repsol YPF contributes an amount equal to 20% of the annual non-variable remuneration of the Director-Secretary to the Permanence Fund, FI, receiving in exchange units in the Fund. Those units are owned by Repsol YPF until the Director-Secretary retires, whereupon the vested right will be transferred to him, together

with the title over the units. He will also be entitled to the cumulative amount of the Permanence Reward upon termination of his contract, in cases entitling him to compensation, and on reaching the age of 62.

The Director-Secretary is also unit-holder of a defined contribution company pension scheme of Repsol YPF, the maximum contribution to which is set by collective agreement at 7,212€ a year.

He is also the beneficiary of an insurance policy covering disability and death, in which Repsol YPF is named policyholder.

The cost of the insurance policies taken out by the Company for the Executive Directors, covering retirement, disability and death, and the contributions to pension schemes and welfare schemes, including the corresponding payments on account, where appropriate, totalled 2,768 thousand Euros in 2011, corresponding to the following items: for the Executive Chairman, 228 thousand Euros correspond to life insurance and 2,443 thousand Euros to contributions to the pension scheme and cost of retirement insurance. For the Director-Secretary, 91 thousand Euros correspond to life insurance, 7 thousand Euros to contributions to pension schemes and cost of retirement insurance and 197 thousand Euros to contributions to the Permanence Reward.

5.3. Stock Plans

On 15 April 2011, the General Shareholders' Meeting of Repsol approved a proposal submitted by the Board of Directors after a favourable report by the Nomination and Compensation Committee to create two stock plans: (i) the Stock Acquisition Plan 2011-2012; and (ii) the Stock Acquisition Plan by the Beneficiaries of the Medium-Term Remuneration Programs and Subsequent Additional Shares Delivery. The implementation of said plans is the most relevant change in the remuneration policy corresponding to year 2011 in respect of the one applied in 2010.

The purpose of the first plan, i.e. the Stock Acquisition Plan 2011-2012 is to enable executives and employees of the Repsol YPF Group in Spain who so wish to receive up to 12,000 € of their annual remuneration in Company shares. This plan does not, therefore, entail any additional remuneration, but merely enables payment of the compensation of its beneficiaries to be structured differently, in shares, at their

choice. The Executive Directors do not participate in this Plan since they do not have an employment relationship with the Company.

The purpose of the second stock plan, that is, the Stock Acquisition Plan by the Beneficiaries of the Medium-Term Remuneration Programs and Subsequent Additional Shares Delivery is to enable the Executive Directors and the beneficiaries of the current multi-year remuneration programs to invest up to 50% of the gross assessment of the medium-term incentive to be received on an annual basis, such that if the beneficiary holds the shares for a period of three years and meets the other conditions of the Plan, the Company will give them, at the end of that period, one additional share for every three initially acquired. Consequently, the Stock Acquisition Plan by the Beneficiaries of the Medium-Term Remuneration Programs and Subsequent Additional Shares Delivery is not linked to the fulfilment of objectives of the multi-year variable remuneration programs or their results; these programs are only taken as reference to determine who the beneficiaries of the Plan are and the maximum amount that these can assign to such Plan. This Plan is not designed to reward its beneficiaries for their performance, as in the performance-based share plans, but to foster alignment of the long-term interests of those individuals with the interests of the Company's shareholders, so it is a fidelity programme.

According to Regulatory Announcement no. 145028 published by the Company on 3 June 2011, the process for voluntary joining by beneficiaries of the First Cycle of the Plan (i.e. the beneficiaries of the multi-year variable remuneration program IMP 2007-2010, liquidated in 2011) was conducted in May 2011 and culminated in the initial acquisition of shares on 30 May 2011. This cycle will end on the date of delivery of the additional shares to the participants, which will be in June 2014. There are 350 participants, which is 58.47% of the total number of potential beneficiaries and the total number of shares initially acquired by the participants was 227,498 shares at a price of 23.5357 Euros per share, so the maximum total number of additional shares to be delivered at the end of the Cycle is 75,710 shares, although the final number of shares will depend on the fulfilment by participants of all the conditions of the Plan.

As a demonstration of their commitment to the Company and the shareholders' interests, both the Executive Chairman and the Director-Secretary have joined the First Cycle of the aforesaid Stock Acquisition Plan by the Beneficiaries of the Medium-Term Remuneration Programs and Subsequent Additional Shares Delivery.

The Director-Secretary has assigned 150 thousand Euros of his multi-year variable remuneration 2011 for acquiring Company's shares. The Chairman has assigned the maximum amount permitted, i.e. 753 thousand Euros which represent 50% of the amount assessed as his multi-year variable remuneration for 2011 to the purchase of shares in the Company. At present, the Executive Chairman is the second largest individual shareholder of Repsol YPF, which demonstrates the extent of his commitment to the Company and its evolution.

5.4. Civil liability insurance

All the Directors are covered by the same civil liability policy, which covers all the directors and executives of the Repsol YPF Group.

5.5. Other features of the Executive Directors' contracts

The contracts with the Executive Chairman and the Director-Secretary were signed in 2004 and 2005, respectively. Both contracts were approved by the Board of Directors following a favourable report by the Nomination and Compensation Committee, which, after analyzing prevailing market practices at that time and obtaining external advice from independent experts, submitted the proposed terms of contract to the Board.

A deferred economic compensation is contemplated for both Executive Directors in the event of termination of contract, equivalent to three years' total annual monetary remuneration, plus one year's remuneration in an identical amount as compensation for the post-contractual no competition clause for the year after termination of contract.

The deferred economic compensation will be paid if their contracts are terminated on grounds attributable to Repsol YPF, by mutual accord or, in the case of the Director-Secretary, in the event of objective circumstances such as a significant change in the shareholding structure of the Company.

As a result of the evolution of corporate governance practices and the financial crisis that began in 2007, greater attention is now paid to issues related with the terms and conditions of the contracts of executive directors and senior officers of companies, which has in turn caused an evolution in both the voting policies of investors on

those matters and the recommendations. In particular, the Recommendation of the European Commission 2009/385/EC of 30 April 2009 proposes that termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.

The Nomination and Compensation Committee and the Board of Directors are aware and sensitive to this evolution and are analyzing the actions and position to be taken by Repsol YPF in this regard, taking into account not only the relevant recommendations, but also market practices in the markets in which the Company is to operate.

5.6. Remuneration Policy 2012

Certain issues of the remuneration policy applicable for Directors of Repsol YPF during 2012 are explained below.

With regard to the remuneration of Directors for performing collegiate supervisory and decision-making duties, the Board of Directors resolved on 28 February 2011, upon recommendation by the Nomination and Compensation Committee, not to raise for 2012 the value of the point assigned for being on the Board of Directors or the different Committees. Consequently, this is maintained at 88,297.11 Euros gross a year.

With regard to the non-variable remuneration of the Executive Directors for the performance of their executive duties in addition to their collegiate supervisory and decision-making duties as Directors, the Board resolved on 28 February 2011, upon recommendation by the Nomination and Compensation Committee, not to increase for 2012 the amount of the non-variable remuneration of the Executive Chairman and Director-Secretary, maintaining it at the 2011 level.

* * *