

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



April 25, 2013

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1. INTRODUCTION

This report (the “**Report**”) sets out the remuneration policy of Repsol, S.A. (hereinafter “**Repsol**” 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 was approved by the Board of Directors at its meeting on April 25, 2013, following the recommendation of the Nomination and Compensation Committee and in accordance with the Articles of Association, and put to an advisory vote as a separate item on the agenda at the Ordinary General Shareholders’ Meeting 2013.

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.

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

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

Article 45 of the Articles of Association expressly establishes the obligation of the **Board of Directors** to approve each year a report on the remuneration policy for Directors including an overall summary of the application of that policy during the preceding year, the details of the individual remuneration of each Director in that year and references to the policy approved by the Board for the present year and future years, if any. This report must be made available to shareholders upon publication of the notice of call to the Ordinary General Meeting and put to an advisory vote as a separate item on the agenda.

Article 5 of the Regulations of the Board of Directors provides that the Board must 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.

According to 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.

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. For this purpose, it assesses the competence, expertise and experience required on the Board, defining the duties and skills sought in the candidates for any vacancy and assessing the time and dedication required to be able to perform their duties well. 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, ensuring that when new vacancies arise or new Directors are appointed, women with the required professional profile are deliberately sought and included among the potential candidates.

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

According to the Articles of Association and 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.

As of December 31, 2012, 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 four (4) meetings in 2012, with 100% attendance by its members.

At December 31, 2012, the Board of Directors had fifteen (15) members, the majority Independent. In particular, two (2) were Executive Directors, five (5) were Proprietary and the remaining eight (8) were 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 Duráñez 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 Luis Felipe Luna Melo (**)	Member	Proprietary



Henri Philippe Reichstul	Member	Independent
Luis Suárez de Lezo Mantilla	Member and Secretary	Executive

(*) Juan Abelló Gallo tendered his resignation from the Board on March 6, 2013.

(**) As of March 19, 2013 Arturo Francisco Henríquez Autrey has been substituted as representative of the Director Pemex Internacional España S.A.

The Board of Directors held twelve (12) meetings in 2012, with a 99.11% attendance¹. The Chairman of the Board of Directors and the Secretary have attended all the meetings held.

4. REMUNERATION POLICY FOR DIRECTORS

4.1. General principles of the remuneration policy for Directors

The principles and criteria of the remuneration policy for Directors are reviewed permanently by the Nomination and Compensation Committee and the Board of Directors within their respective areas of competence, to make sure the company's remuneration policy is in line at all times with the best practices and market trends.

As a rule, when establishing its remuneration policies the company seeks the reciprocal generation of value for employees and the Group, in line with the long-term interests of the shareholders in general and guaranteeing transparency.

Accordingly, the remuneration of **Directors** for their collegiate supervisory and decision-making duties is based on the following principles:

- 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 must also be in line with that paid on the market, so the remuneration established for Directors in other Spanish and European groups of listed companies having a similar size, business and operating complexity and geographical distribution of assets to those of Repsol is taken into consideration.

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 of **Executive Directors** for their executive duties is established according to the general remuneration policy for executives in the Repsol Group, following the principles described below:

- Make sure the remuneration complies with best practices and is competitive in terms of structure and overall amount in comparison with other comparable enterprises, so as to attract, retain and motivate the best professionals.
- Establish remuneration according to objective criteria related with the individual performance of Executive Directors and achievement of the business targets of the Company and Group.
- 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.

The total compensation of the Executive Directors, 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.



4.2. Remuneration policy for directors for their collegiate supervisory and decision-making duties

4.2.1. Global limit

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 recognizing 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.

4.2.2. Competent bodies

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.

4.2.3. Remuneration structure

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.

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



According to the Articles of Association and the Regulations of the Board of Directors, all Non-Executive Directors are excluded from the welfare systems financed by the company covering events of dismissal or retirement, death or any other contingencies and the long-term incentive plans, such as stock options.

4.2.4. Application of the remuneration policy for Directors for their collegiate supervisory and decision-making duties in 2012

On February 28, 2012 the Board of Directors resolved, upon recommendation by the Nomination and Compensation Committee, so maintain the value of the point for 2012 at the same amount as in 2011, i.e. 88,297.11 euro gross a year.

The evolution of the point value over the past five years is shown below:

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

The amounts received in 2012 by each of the Directors for being on the Board of Directors and its different Committees are indicated below:



Director	2012					
	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 (*)	176,594	176,594	-	-	44,149	397,337
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	176,594	-	-	44,149	-	220,743
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
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
Total	2,648,913	1,412,754	264,891	220,743	264,891	4,812,192

(*) Juan Abelló Gallo stepped down from the Board on March 6, 2013.

4.3. Remuneration policy for Executive Directors for their executive duties

4.3.1. Competent bodies

The Nomination and Compensation Committee recommends to the Board of Directors the criteria it considers adequate for the additional remuneration of the Executive Directors for their executive duties and other contract conditions, which must then be approved by the Board.



4.3.2. Remuneration structure

As indicated 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 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.
- 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 creation of value for shareholders. 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.

4.3.3. Application of the remuneration policy for Executive Directors for their executive duties in 2012

The non-variable and variable (annual and multi-annual) remuneration accrued for each of the Executive Directors in 2012 for their executive work represented, in relation to their total monetary remuneration, the following percentages:

	Non-variable Remuneration	Variable Remuneration
Antonio Brufau	49.39%	50.61%
Luis Suárez de Lezo	43.1%	56.9%

It should be mentioned that the Nomination and Compensation Committee received counseling from the internal services of Repsol and information supplied by the global consultancy firm for compensation issues, Hay Group, which has made a benchmarking survey on the remunerations of executive chairmen of Spanish and European companies comparable with Repsol in terms of capitalization, size, shareholding structure and international establishment. The details of this survey are annexed to this report. The survey concludes that the total remuneration of the Executive Chairman of Repsol falls within the average remuneration level of comparative companies.



4.3.3.1. Non-variable remuneration

This remuneration includes the non-variable remuneration of Executive Directors as compensation for their executive positions and duties. The amount is set every year by the Board of Directors, upon recommendation by the Nomination and Compensation Committee.

On February 28, 2012 the Board of Directors resolved, upon recommendation by the Nomination and Compensation Committee, to keep the non-variable remuneration of Executive Directors in 2012 at the same levels as those set for 2011.

The evolution of the non-variable remuneration of the Executive Directors over the past five years is shown in the following table:

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

Consequently, the non-variable remunerations received by the Executive Chairman and the Director-Secretary in 2012 are as indicated below:

Non-variable remuneration 2012 in thousand euro	
Antonio Brufau	2,368
Luis Suárez de Lezo	983

4.3.3.2. Variable remuneration

The purpose of the variable remuneration is to strengthen the Executive Directors' commitment to the company and provide incentive for the best possible performance of their duties, aligning them with the long-term interests of the company and its shareholders.



a) *Annual variable remuneration*

The annual variable remuneration assesses on an annual basis the contribution by Executive Directors towards achievement of predetermined, specific, quantifiable objectives related with application of the Strategic Plan, economic-financial and operating variables and issues of safety and environment, corporate social responsibility and good governance. When setting these objectives, reference is made to the key indicators for fulfillment of the company's Strategic Plan.

The indicators and weightings established by the Board of Directors, upon recommendation by the Nomination and Compensation Committee, were taken into account to calculate the annual variable remuneration of the Executive Chairman for 2012, and in particular the following parameters were assessed to determine the degree of fulfillment of the objectives:

- For the objectives related with the application of the Strategic Plan, the development and performance within the pre-set times and budgets were assessed of the strategic projects of Margarita (Bolivia), Lubina and Montanazo (Spain), Sapinohá (Brazil), Midcontinent (United States), Russia, Kinteroni (Peru) and Cardón IV and Carabobo (Venezuela); management of the company's portfolio; prospecting in 2012, especially highlighting the discovery of Pao de Açucar in Brazil (included by IHS and Wood Mackenzie in the list of the ten largest discoveries of the year) and that of Sagari in Peru; the incorporation of contingent resources and the reserve replacement ratio –both above budget–; average production and the principal actions in LNG, Refining, Chemical, Marketing and LPG. Presentation of the new Strategic Plan 2012-2016 just one month after the expropriation of YPF deserved special assessment. Its principal goals have been met successfully in due time and form, as reflected by the granting of the prestigious Platts Global Energy Award to the Chief Executive Officer of 2012 to Antonio Brufau for his strategic vision, leadership capacity and for maintaining Repsol's successful track record even after the expropriation of YPF.
- A high degree of fulfillment was considered of the financial, efficiency, cost-cutting and income objectives, in spite of the expropriation of YPF by the Argentine government, and the measures adopted in the wake of that expropriation to strengthen Repsol's balance sheet and liquidity. Thus, the operating income at CCS of the Repsol Group outstripped the budget; the net profit was slightly below budget, even with the effect of the YPF expropriation; and the net profit at CCS—taking YPF as recurring— was up on 2011. The budget has also been met in respect of the checking of investments and workforce, increasing the free cash flow and reducing the net debt at year end. The dividend paid to shareholders was also larger than in 2011 and the scrip dividend was widely accepted among most shareholders.



- Finally, with regard to the objectives related with the furthering of good governance, corporate social responsibility and environmental policies, among others, it was appreciated the company's improvement in its compliance with the recommendations of the Unified Code of Good Governance, the Code of Ethics and Conduct updating and the reduction of the accident rate and GHG emissions. It was also taken into consideration that in 2012 Repsol was the first company in the Oil&Gas sector to head the classification two years in succession in the *Dow Jones SustainabilityIndexWorld (DJSI World)* and the *Dow Jones SustainabilityIndexEurope (DJSI Europe)*², and that it received other important recognitions during the year.

The annual variable remuneration of the Director-Secretary is also calculated according to predetermined, measurable criteria, the amount of which 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, are especially linked to each of the management departments under his charge and the control of the Company. In particular, in 2012 they took 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; (vi) asset management; and (vii) recovery of the value of YPF.

Based on the foregoing and after analyzing the degrees of fulfillment of their respective objectives by the Executive Chairman and the Director-Secretary, the Board of Directors resolved on February 27, 2013, upon recommendation by the Nomination and Compensation Committee, to establish and settle the amounts indicated below as the annual variable remuneration for 2012 to be received by each one.

Annual variable remuneration 2012
in thousand euro

Antonio Brufau	427(*)
Luis Suárez de Lezo	786

²According to the "Report on Corporate Social Responsibility" commissioned by the European Commissioner for Internal Market and Services Michel Barnier and published in December 2012, the Dow Jones Indexes are "the worldwide benchmark for socially responsible investment and an indicator for portfolio managers and institutional investors that take sustainability criteria into account among the important aspects for managing their portfolios."



(*) The sum of 427 thousand euro is the result of deducting from the total annual variable remuneration accrued by the Executive Chairman according to his terms of contract the amounts corresponding to him according to the Articles of Association for being on the boards of the Repsol Group and its subsidiaries, which amounted to 639 thousand euro in 2012, so the sum finally received by the Executive Chairman as annual variable remuneration is that indicated in the above table.

b) Multi-year variable remuneration

Since 2000, the Company has implemented four-year monetary incentive programs for all executives, 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, 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 2012 the Medium-Term Remuneration Programs 2009-2012, 2010-2013, 2011-2014 and 2012-2015 were in force, although the first of them (2009-2012) was closed, in accordance with its terms, as of 31 December 2012 and its beneficiaries will receive the corresponding variable remuneration in the first quarter of 2013, 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 fulfillment 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 fulfillment of the Medium-Term Remuneration Program 2009-2012, 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 Exploration and Production area. Within the corporate and financial objectives, the variables used are those of optimization and financial discipline and value creation.

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

The indicators used to determine the degree of fulfillment of the Medium-Term Remuneration Program 2009-2012, in respect of the Exploration and Production Area, include, inter alia, the reserve replacement ratio, prospecting success rate and the increase in production. In Downstream, the execution of the two major projects in Spain (Cartagena and Bilbao) was taken as reference. The indicators assessed for the financial discipline and optimization objectives were the free cash flow before dividends, the programs for saving and improvement of operations, improvement of the credit rating and the net profit for the value creation objective.

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 Group. Consequently, although the Executive Chairman is not a formal member of the Medium-Term Remuneration Programs as such, 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 2009-2012, 2010-2013, 2011-2014 and 2012-2015.

The Nomination and Compensation Committee agreed at its meeting on February 27, 2013 to set the degree of fulfillment of the objectives of the Medium-Term Remuneration Program 2009-2012 at 75.6% and, accordingly, to submit a proposal to the Board of Directors for 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 February 27, 2013 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 2012.

Multi-year variable remuneration 2012	
in thousand Euros	
Antonio Brufau	1,360
Luis Suárez de Lezo	514

4.3.3.3. Other payments

In addition, the expense for 2012 corresponding to payments in kind received by the Executive Directors amounts to 98 thousand Euros for the Executive Chairman and 5 thousand Euros for the Director-Secretary.

4.3.3.4. 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, multi-group or associated companies.

In this regard, in 2012 the Executive Chairman and the Director-Secretary received the amounts indicated below for being on the boards of directors of other Group, multi-group or associated companies. As indicated in point 4.3.3.2.a) above, these amounts corresponding to the Executive Chairman are deducted from his annual variable remuneration.



	Remuneration 2012 in thousand euro		
	Gas Natural SDG, S.A.	YPF, S.A.	Total
Antonio Brufau	266	20	286
Luis Suárez de Lezo	139	20	159

4.3.3.5. Welfare Schemes

Repsol 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 welfare scheme.

The Executive Chairman has an insurance policy covering retirement, disability and death, in which Repsol 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 Group. This compensation is structured in an investment fund called "Permanence Fund, FI".

Each year Repsol 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 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, 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 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, totaled 3,037 thousand euro in 2012, corresponding to the following items: for the Executive Chairman, 273 thousand euro correspond to life insurance and 2,467 thousand euro to contributions to the pension scheme and cost of retirement insurance. For the Director-Secretary, 94 thousand euro correspond to life insurance, 7 thousand euro to contributions to pension schemes and cost of retirement insurance and 197 thousand euro to contributions to the Permanence Reward.

4.4. Stock Plans

The company has implemented cycles 2011-2014 and 2012-2015 of the Stock Acquisition Plan by the Beneficiaries of the Medium-Term Remuneration Programs, which were approved at the General Shareholders' Meeting held on April 15, 2011, the aim of which is to enable their beneficiaries (which include, inter alia, the Executive Directors) to invest in Repsol shares up to 50% of the gross amount of their multi-year incentive, 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 is not linked to the fulfillment 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 designed to foster alignment of the long-term interests of those individuals with the interests of the Company shareholders, so it is a fidelity program.

As a demonstration of their commitment to the Company's and shareholders' interests, both the Executive Chairman and the Director-Secretary have joined the 2011-2014 and 2012-2015 cycles of the Plan, buying the number of shares indicated below, as announced to the National Securities Market Commission:

	2011-2014 cycle	2012-2015 cycle
Executive Chairman	31,981	24,461
Director-Secretary	6,373	12,230



4.5. Civil liability insurance

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

4.6. 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 favorable 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.

This deferred economic compensation will be paid if their contracts are terminated on grounds attributable to Repsol 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.

The Executive Directors' contracts establish in any case a no competition obligation in respect of companies and activities of a similar nature to those of Repsol throughout the duration of their relationship with the company and for one year after termination thereof. In consideration for this commitment, the Executive Directors are entitled to economic compensation in a sum equivalent to one year's total annual remuneration at amount prevailing at the date of termination.

The evolution of corporate governance practices and the financial crisis that began in 2007 have an evolution in both the voting policies of investors on issues related with the terms and conditions of the contracts of executive directors and senior officers of companies and in the recommendations issued concerning these matters, particularly the Recommendation of the European Commission 2009/385/EC of 30 April 2009.

The Nomination and Compensation Committee and the Board of Directors are aware and sensitive to this evolution and permanently analyze the actions and position to be taken by Repsol 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, so the afore-mentioned



recommendations to limit termination payments will be taken into consideration in any new contracts that may be made in the future with Executive Directors.

4.7. Remuneration Policy 2013

Certain issues of the remuneration policy applicable for Directors of Repsol during 2013 are explained below.

With regard to the remuneration of Directors for performing collegiate supervisory and decision-making duties, the Board of Directors resolved on February 27, 2013, upon recommendation by the Nomination and Compensation Committee, to maintain for this year the value of the point assigned for being on the Board of Directors or the different Committees at the value set in 2011 and 2013 (i.e. 88,297.11€ 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 February 27, 2013, upon recommendation by the Nomination and Compensation Committee, to maintain the amount for 2013 at the same amount established in 2011 and 2012.

With regard to the annual variable remuneration of the Executive Chairman, following the evolution of corporate government practices over recent years, the Board of Directors, upon recommendation by the Nomination and Compensation Committee, reviewed and set the strategy, operations and corporate social responsibility objectives with their corresponding ratings, weightings and scales of achievement, according to which the performance of the Executive Chairman will be assessed to calculate his variable remuneration for 2013. The annual variable remuneration of the Executive Chairman has also been formally capped at 200% of his non-variable remuneration which may not be overshoot in any circumstances.

The principal indicators, therefore, to which payment of the variable remuneration is linked focus on the Company's medium term development and refer to the application of the Strategic Plan, the evolution of its net profit and net debt, production and reserve replacement ratio and the utilization of conversion capacity. Within corporate social responsibility, the indicators are mainly linked to the accident rate, the Sustainability Plan and the Plan for Energy Efficiency and reduction of CO₂ and other greenhouse gases.

Finally, the Executive Chairman has proposed that the company stop making contributions to the complementary welfare scheme covering retirements agreed in its Services Contract as from March 12, 2013, without modifying the other conditions contemplated therein. Accordingly, the Board of Directors, upon recommendation by the Nomination and



Compensation Committee, has passed a resolution for the total gross contribution for the Executive Chairman's retirement to be made only up to March 12, 2013. Therefore, the total amount of the complementary welfare provision for 2013, including the corresponding payment on account, if any, amounts to a total of 789,635 euro, of which 493,737 euro correspond to the gross contribution for retirement and the remaining 295,898 euro to the gross contribution of the life insurance premium.

4.8. Remuneration Policy for future years

At present no substantial changes are expected in the basic principles of the remuneration policy for Directors, so the principles described would continue to be applicable in the future, unless the competent corporate bodies decide on any modifications in view of prevailing circumstances, for regulatory, strategic, economic or any other nature. For this purpose, the Board of Directors and the Nomination and Compensation Committee will, in exercise of their duties, regularly check the remuneration policy principles.

This notwithstanding and with the aim of adapting the Articles of Association to the remuneration policy for Directors that has been applied in practice for several years, the Board plans to put a motion at the forthcoming Ordinary General Shareholders' Meeting 2013 to alter the first paragraph of Article 45 of the Articles of Association, making Directors' remuneration for their collegiate supervisory and decision-making duties consist of a fixed sum, established by the General Shareholders' Meeting. The Board may then decide on the amount corresponding to each of the Directors in view of the positions they hold and their participation in the different committees. This would replace the current system which establishes a limit equivalent to 1.5% of the total net profit, after funding the legal reserve and any other compulsory reserves and recognizing a dividend of at least 4% for shareholders, since in a company of the size and with the profits of Repsol, that could represent a very large sum. The remaining paragraphs of Article 45 remain unaltered.

That fixed sum will be a ceiling and the Board of Directors will set the amount actually payable within that sum. For this purpose, it is recalled that the Board of Directors increased its remuneration by a total of 2.5% in 2008 for the collegiate supervisory and decision-making duties and that the ceiling proposed is far lower than the maximum that could have been payable under the remuneration system in place up to now.

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ANNEX
DETAILS OF COMPARATIVE GROUP

SPANISH MARKET	
TELEFÓNICA	FERROVIAL
SANTANDER	ENDESA
BBVA	GAS NATURAL
IBERDROLA	INDRA

EUROPEAN INDUSTRIAL MARKET	
ABB	SCHNEIDER ELECTRIC
AIR LIQUIDE	SIEMENS
AKZO NOBEL	SKANSKA
ALCATEL-LUCENT	FIAT
ALFA LAVAL	FINMECCANICA
ALSTOM	HOCHTIEF
ARCELOR MITTAL	HOLCIM
ASSA ABLOY	LAFARGE
ATLAS COPCO	SKF
BASF SE	MICHELIN
BMW AG	PSA
BOUYGUES	RENAULT
CONTINENTAL	SAINT GOBAIN
DAIMLER AG	SANDVIK
EADS	STORA ENSO
EIFFAGE	THYSSENKRUPP
ELECTROLUX	SCHINDLER
ESSILOR INTERNATIONAL	