

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

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ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS IN PUBLICLY TRADED COMPANIES

A CORPORATE REMUNERATION POLICY FOR THE CURRENT YEAR

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

Explain the remuneration policy

General principles and grounds

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

The principles and criteria followed when fixing remuneration of Directors for their duties as such and for the performance of their executive duties, including the importance of variable remuneration concepts with respect to fixed ones, are contained in the remuneration policy that the General Shareholders Meeting approved on 30/04/2015. Said principles are compliant with article 217.4 of the Companies Act (*Ley de Sociedades de Capital*), on appropriateness to the size and relevance of the business, its economic situation, comparability, profitability and sustainability, and on not assuming excessive risk or not rewarding negative results.

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

1) Remuneration of Executive Directors:

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

Senior Executives.

2. Directors' compensation in their condition as such:

- a) Sufficient and adequate remuneration to reward the Directors' devotion, qualification and responsibilities, without compromising their independence.
- b) Market rate remuneration, for which remuneration in comparable entities will be taken into account (that is, the fixed remunerations of Directors at other listed corporate groups of ample size, with complex businesses and operations, and a geographical distribution of assets similar to that of Repsol).

Relevant changes in the remuneration policy:

At the date of publication of this report, the elements and characteristics of the remuneration policy for 2017 remain at similar terms to which they were applied in 2016.

Criteria for the establishment of the remuneration policy:

When establishing the policy, the Board of Directors (BoD), further to the proposal of the Compensation Committee (CC), considers the provisions of the Bylaws and the Board of Directors Regulations, the applicable legislation, the Remuneration Policy approved by the General Shareholders Meeting and the objectives of the Strategic Plan which enable, among others, to establish the metrics to which the variable remuneration is linked; and market data and guidelines from investors and proxy advisors. For more information please see Section A.2.

Remuneration mix

Directors' compensation in their condition as such consists entirely of non-variable components. The pay package of Executive Directors consists mainly of one non-variable component, one short-term variable component and one long-term variable component in cash. In addition, the remuneration package for CEOs also includes their participation in social security systems (see section A.5.) and certain benefits in kind (see section A.10.).

If the objectives to which the variable remuneration is tied are not achieved, the Executive Directors only receive the non-variable remuneration and other benefits related to his participation in social security systems and in kind..

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

On a scenario of maximum achievement of targets, the CEO would receive a maximum of 260% of the fixed remuneration as variable remuneration (120% for the short term and 140% for the long term) and 190% of the fixed remuneration (90% for the short term and 100% for the long term) for the General Counsel. These maximum include, as per the CEO, the eventual upwards adjustment by the BoD to recognize the good results, the individual performance and other matters requiring qualitative measurement.

Both remuneration packages are in line with market practices for CEOs of companies on the index on which the company is listed (Ibex-35), where fixed remuneration accounts for 37% of total remuneration and variable remuneration accounts for 63% (53% of short-term variable remuneration and 47% of long-term variable remuneration).

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

Explain the process for determining the remuneration policy

Preparatory work and decision-making process:

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

As part of this review process, in 2016 the Compensation Committee sought the independent, specialist advisory services of Willis Towers Watson for benchmarking the pay level and structure of the CEO in order to assess its suitability and its alignment with the market situation of the peers and the ongoing business of the Company. The group of comparison taken to such end has been the IBEX35, following the criteria provided under the Remuneration Policy of the Company:

- a) Objectiveness: it has been chosen the IBEX 35 at the close of 2016, an established stock index that it is a reference benchmark in remuneration terms for Repsol in Spain.
- b) Sufficient number of companies for the resulting statistics to be sound and representative: IBEX35 is made up of the 35 companies with the highest liquidity quoted in the *Sistema de Interconexión Bursátil Electrónico* (SIBE) [automated trading system] on the four Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia). Repsol is excluded from this group, since it is the subject of comparison, as ArcelorMittal España, S.A., whose Board of Directors is based outside Spain, Bankia, S.A. and Aena, S.A. whose Board remuneration is limited by law.

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

In view of the results of this analysis, and taking into account other factors, the Committee has proposed to the Board not to increase the non-variable remuneration of the CEO for the 2017 financial year.

Work carried out by the Compensation Committee:

The duties of the Board of Directors and its Compensation Committee regarding

remuneration are regulated in the Bylaws (Art. 45 bis and subsequent) and the Regulations of the Board of Directors (arts. 5 and 35).

During 2016, the Compensation Committee met 3 times, with an attendance rate of 100%. In 2017, until the publishing of this Report, it has met once. At those meetings, the Committee debated, among others, on the following matters:

- a) Approval of Directors' remuneration for their duties as such for 2016 and 2017;
- b) Approval of the non-variable remuneration of the Executive Directors for 2016 and 2017 following the remuneration policy in force;
- c) Setting targets for the annual and multiannual variable remuneration of the CEO and the General Counsel for 2016 and 2017.
- d) Appraisal and approval of the annual variable remuneration of Executive Directors for results achieved in 2015 and 2016;
- e) Appraisal of fulfilment of targets set in the MTI multi-annual variable remuneration programs 2012-2015 and 2013-2016 and approval of the variable remuneration;
- f) Approval of the new MTI multi annual variable remuneration programs 2016-2019 and 2017-2020;
- g) Proposal and approval of the Annual Report on Remuneration for years 2015 and 2016;
- h) Impact of the Transformation Program on the remuneration system of Repsol.

Composition of the Remuneration Committee:

All members of the Compensation Committee are Non-Executive Directors, three (3) of whom are Independent and the other two (2) Institutional. All the Committee members have extensive experience and expertise in the duties to be performed. At December 31, 2016, the composition of the Compensation Committee is as follows:

Artur Carulla, Chairman, Independent
Mario Fernández, Member, Independent
María Isabel Gabarró, Member, Independent
José Manuel Loureda, Member, Institutional
Gonzalo Gortázar, Member, Institutional ⁽¹⁾

Additionally, Mr. Carulla has been fulfilling the duty of Independent Coordinator Director since 2011.

External Advisors

In 2016 and 2017, Willis Towers Watson, independent advisers specializing in director and senior executive compensation, has counselled the Compensation Committee on the preparation of the remuneration report published in 2016, on this report and on the preparation of benchmarking for the CEO's remuneration.

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

Explain the fixed components of the remuneration

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

According to Article 45 of the Bylaws and pursuant to the resolution passed by the General Meeting on April 30, 2015 the current annual ceiling to remunerate members of the BoD for the performance of the collegiate supervisory and decision-making duties inherent to said body, including the remuneration of the Chairman of the Board, is 8.5 million euros. The BoD has the power to decide on the exact sum to be paid within that limit and how it is to be distributed among the Directors, taking account of the positions they hold and their participation in the different Committees.

Directors receive a non-variable remuneration for their collegiate supervisory and decision-making duties. Except in the case of the Chairman of the Board, this remuneration is calculated by assigning points (which represent pay amounts) for sitting on the BoD or its different Committees, according to the responsibilities of each Director.

The points table is as follows:

- Board of Directors: 2
- Delegate Committee: 2
- Audit and Control Committee: 1
- Nomination Committee: 0.25
- Compensation Committee: 0.25
- Sustainability Committee: 0.5

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

On 22 February 2017 the BoD resolved, upon recommendation by the Compensation Committee, to maintain the value of the point in 2017 at the amount set for 2016, 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.

Remuneration of the Chairman of the Board:

The remuneration of the Chairman of the Board of Directors was established in the Directors' Remuneration Policy approved at AGM 2015 and reflects the importance of the Chairman's role, the intensity of his work and his involvement in the office he has held since 30 April 2015, as well as any other criteria contained in said Policy.

The remuneration of the Chairman of the Board of Directors consists exclusively of fixed concepts.

For 2017, remuneration of the Chairman of the Board totals 2,500 thousand euros. This includes the amounts for his membership of the Board of Directors and Committees of Repsol Group companies, whether multi-group or associates. This amount is the same as that corresponding to the fixed remuneration of the Chairman of the Board of Directors for FY 2016.

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

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

At a meeting held on 22 February 2017 and upon recommendation by the Compensation Committee, the BoD resolved to maintain the Executive Directors' non-variable remuneration for 2017 at the same levels as on 2016, i.e., 1,200 thousand euros for the CEO and 983 thousand euros for the General Counsel.

The CEO's non-variable remuneration has not changed since his appointment and the General Counsel's since 2011.

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

The CEO and General Counsel may also receive an additional non-variable remuneration for directorships in other participated companies.

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

In particular:

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

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

- Indicate any payments made under profit-sharing or bonus schemes, and the reason why they were granted.
- Explain the basic parameters and grounds for any annual bonus scheme.
- The types of directors (executive directors, external directors, independent directors or other external directors) that are beneficiaries of remuneration systems or plans that incorporate a variable remuneration.
- The foundations of such variable remuneration systems or plans, the criteria chosen to assess performance as well as the components and assessment methods to determine whether the criteria have been met or not, and an estimate of the total amount of variable remuneration that would result from the current compensation plan, as a function of the degree to which targets or benchmarks have been met.
- Where appropriate, give information on deferral periods or deferral of payment established and/or holdback periods for shares or other financial instruments, if any.

Explain the variable components of the remuneration systems

Non-executive Directors are excluded from the variable remuneration systems (See A.3).

1) Annual variable remuneration: Values the contribution of the CEO and the General Counsel to incentive fulfilling pre-set, specific, quantifiable objectives. The conditions of the system are reviewed every year by the Compensation Committee taking account of Repsol's strategy, needs and business situation.

The targets, metrics and weightings for the 2017 annual variable remuneration of the CEO are: a) Targets relating to Efficiency (40% weight) and metrics linked to the efficiencies and synergies budgeted and Repsol's free cash flow breakeven; b) Operational targets (45% weight) and metrics linked to adjusted profit, net debt, production, conversion capacity use and Capex E&P; c) Sustainability targets (5% weight) and metrics linked to the total frequency index of accidents and fatalities; and d) Value targets (10% weight) and the metric of share performance vs. comparable companies.

In the case of the General Counsel, the annual variable remuneration plan considers targets relating to: a) Corporate transactions and other tasks; b) Corporate Governance; c) Institutional Relations; d) Legal Affairs; and (e) Repsol Foundation..

For the CEO, each metric is related with a performance level established depending on its variation and the level of requirement of the objective. Each metric has a minimum performance level under which it does not generate the right to receive variable remuneration and a maximum performance level of 120%, if the degree of overall achievement of targets to be set by the Compensation Committee is no greater than 100%.

After year-end, the Compensation Committee makes an assessment considering the information provided by the People and Organization area and the Strategy, Planning, and Global Solutions area on the different categories of objectives and the results obtained. In order to guarantee that annual variable income is effectively related to the professional performance of beneficiaries, when determining the level of compliance with quantitative targets, positive or negative economic effects resulting from overtime, which may distort appraisal results, are removed.

An average weighted fulfilment level is calculated according to the level of fulfilment of each objective and its weighting. The amount of the annual variable remuneration for the CEO may vary between 0%, if overall fulfilment does not rise above a minimum threshold, and 100% of the non-variable remuneration, if overall fulfilment of the objectives is 100%. The annual variable remuneration for the General Counsel may vary between 0% and 90% of his non-variable remuneration. Therefore with a 100% level of achievement of the targets, the CEO would receive 1,200 thousand euros and the General Counsel 885 thousand euros.

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

In 2017, the MTI 2017-2020 was launched. The objectives, weightings and metrics of which are the following: a) Upstream targets (global weight 30%) and metrics linked to annual free cash flow breakeven, investments optimization, execution of certain projects and operational excellence vs competitors; B) Downstream targets (global weight 20%) and metrics linked to the integrated refining and marketing margin vs sector and the free cash flow generation; c) Value creation and resiliency targets (global weight 40%) and metrics related to the Opex Efficiency and Synergies Program, adjusted net results, divestment plan and Total Shareholder Return (TSR); and d) Sustainability targets (global weight 10%) and metrics linked to the integrated frequency index of accidents and the reduction of emissions.

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

The Compensation Committee sets every year the weightings of the objectives and associated metrics, taking account of Repsol's strategy. To determine the incentive, the Compensation Committee considers the overall degree of fulfilment of the programme, as well as the personal performance of the beneficiary. For the CEO, the amount of multi-annual variable remuneration can vary between 0% if joint fulfilment over the minimum threshold is not reached, and 120% of non-variable remuneration if the joint fulfilment of targets is 100%. For the General Counsel, multi-annual variable remuneration can vary between 0% and 100% of non-variable remuneration. Therefore with a 100% level of achievement of the targets, the CEO would receive 1,440 thousand euros and the General Counsel 983 thousand euros.

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

3) Repayment of the variable components: The Remunerations Committee may also propose to the Board the claim for repayment of the variable components of remuneration (annual and multiannual variable remuneration) when payment has not been adjusted to established performance conditions or when they have been paid on the basis of information later found to be incorrect.

4) Share Acquisition Plan by Beneficiaries of Multiannual Remuneration Programmes: This is aimed at certain groups of employees and executive directors, including the CEO and the General Counsel. Its aim is to foster the alignment with the long-term interests of the shareholders and the Company. It is structured through a stock purchase plan which first five cycles were approved at the General Shareholders' Meeting on April 15, 2011, being approved at the General Shareholders' Meeting of May 20, 2016 five additional cycles. The Plan allows its beneficiaries to invest a maximum sum in Repsol shares, such that if they hold the shares for 3 years, remain in the Group and meet the other conditions, at the end of the period the Company will give them 1 additional share for every 3 shares originally acquired.

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

the multiannual remuneration Programm.

As per the additional cycles of the Plan approved at the 2016 AGM, for those beneficiaries with Senior Management status at the date of the initial investment or at the date of the shares delivery, meaning Executive Directors and those executives who are part of the Corporate Executive Committee or any equivalent body which may replace it in the future, an additional performance requirement is established for the delivery, by the company, of the extra share for every three shares acquired in the initial investment. This consists in achieving a level of overall fulfillment of the targets established for the IMP multi-year variable remuneration program closed in the immediately preceding year, equal or exceeding 75%.

This plan foresees a clawback clause. For more information see section A.13.

The consolidation period of the 4th Cycle of the Loyalty Scheme (2014-2017) is expected to be completed in 2017, which the CEO and the General Counsel participate in.

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

Explain the long-term savings systems

Non-executive Directors:

Non-executive Directors do not participate in any long-term savings system.

Executive Directors:

The CEO participated in the Group's Senior Executives Retirement Scheme, under the condition set out in Regulations. According to these, annual contributions for retirement are approximately equivalent to 20.5% of non-variable remuneration, subject to his continuance at the Group.

The General Counsel participates in a deferred remuneration scheme, the "Permanence Reward", which is intended to reward him for remaining in the Repsol Group and is structured through the investment fund called "*Fondo de Permanencia, F*", to which Repsol makes annual contributions in a sum equivalent to 20% of the General Counsel's annual non-variable remuneration and in exchange receives units in the Fund. Those units are owned by Repsol until the General Counsel retires, whereupon the vested right will be transferred to him, together with the title. He will also be entitled to the cumulative amount of the Permanence Reward upon termination of his contract, entitling him to compensation.

The General Counsel and the CEO are also unit-holders of a defined contribution company pension scheme of Repsol, the maximum contribution to which is set by

collective agreement at 7 thousand euros a year.

With respect to the CEO and the General Counsel, these amounts are compatible with severance for contractual termination.

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

Explain the indemnity payments

The Company has not paid nor agreed any termination payment for its Outside Directors in case of termination of their duties.

In the case of Mr. Brufau, after waiving the payment of the economic compensation of 14,253,691 euros accrued at the end of his contract as CEO, and in accordance with the new contractual conditions, following his re-election as non-executive Chairman of the Board of Directors in the 2015 General Shareholders Meeting, compensation receivable for early contractual termination would be capped at the amount pending of total non-variable remuneration until the 2019 General Shareholders Meeting, which will include compensation for the post-contractual non-compete. In this way, the amount will progressively reduce to the extent that, upon the date indicated, no compensation at all will be payable.

- A.7 Indicate the conditions that the contracts of executive directors in senior management positions must respect. Among other aspects, give information on the duration, limits to the amounts of indemnity, tenure clauses, notice periods and payments that can replace such notice periods, and any other clauses regarding hiring bonuses, as well as severance payments or ring-fencing for early cancellation or termination of the contractual relationship between the company and the executive director. Include, inter alia, covenants or agreements regarding non-competition, exclusivity, tenure or loyalty and non-competition after termination of contract.

Explain the conditions of the contracts of executive directors

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

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

b) Termination:

The contractual conditions agreed with the CEO include the limit on severance for new chief executives, which is equivalent to two annual payments of his annual fixed and variable remuneration, which includes compensation for the non-compete clause, in accordance with the commitment made in this regard by the Board of Directors at its meeting of 25 February 2014, upon the recommendation of the Remuneration Committee.

The contract of the General Counsel, which was signed in 2005 and thus responds to the personal, professional and market circumstances prevailing at the time. It was approved by the BoD following the favorable report issued by the Compensation Committee, which analyzed market practices of the time and was advised by independent experts. In the event of contractual termination on grounds attributable to Repsol, by mutual agreement, on the interest of the Company, or upon the occurrence of objective circumstances, such as a significant change of ownership of the Company's capital, differed severance is provided for equivalent to three year of total annual cash remuneration, plus one additional year in consideration of the post-contractual non-competition commitment.

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

Explain supplementary remuneration items

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

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

Explain the advances, credits and guarantees granted

The Company has not granted any advance, credit and /or guarantees to Directors

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

Explain any remuneration in kind

The Executive Directors and the Chairman of the Board of Directors are also entitled to certain benefits in kind including, among others, life and disability assurance, medical insurance, and, as the case may be, payments on account/withholdings corresponding to the remuneration in kind.

In addition, Repsol's Directors are beneficiaries of liability insurance. The total amount of the premium paid by Repsol in FY 2016 for collective liability insurance, which covers all of the Group's Directors and executives, amounts to €2.2 million. The policy covers different companies of the Group under certain circumstances and conditions.

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

Explain the remuneration accruing to the director by virtue of payments made by the listed Company to a third party in which the director provides services.

The Company has not made any payment to any third party in which the director provides services intended to remunerate the director's services in the company.

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

Explain other remuneration items
None

- A.13 Explain the actions taken by the company in connection with the remuneration system to reduce excessive risk exposure and match it to the long-term targets, values and interests of the company. Include, where appropriate, a reference to: measures designed to ensure that the remuneration policy is aligned with the long-term performance of the company; measures establishing an appropriate balance between fixed and variable compensation; measures taken in relation to those categories of staff whose professional activities have a material impact on the risk profile of the entity; clawback formulae or clauses to reclaim variable components of performance-based remuneration when such components have been paid on the basis of data that is subsequently proven to be wholly inaccurate; and measures designed to prevent conflicts of interest, where applicable.

Explain the actions taken to reduce the risks
<p>The measures to ensure that the long-term results of the Company are taken into account in the remuneration policy are as follows:</p> <p>a) The total compensation of the Executive Directors consists of different pay components, consisting essentially of: (i) non-variable remuneration, (ii) short-term variable remuneration and (iii) medium and long-term variable remuneration. This long-term component has a weight of around 30% of the total remuneration in a target scenario and is linked to targets established in the Strategic Plan, thus aligning the interests of participants with the Company's strategy.</p> <p>b) The medium and long-term variable remuneration schemes form part of a multi-year plan (4 years) to ensure that the assessment process is based on the long-term results and takes account of the Company's underlying economic cycle and the fulfilment of strategic objectives.</p> <p>c) The Company has established a Share Acquisition Plan by Beneficiaries of Multiannual Remuneration Programmes as described in A.4, thus aligning the interests of the participants in this scheme with shareholders' interests. Finally, on 31/12/2016 the CEO has a number of shares in the Company, having a value representing approximately 150% of his current non-variable remuneration, which proves of his degree of alignment with the long-term interests of the Company and its shareholders. The number of shares held by the CSG as of that date represents approximately 68% of its current fixed remuneration.</p> <p>d) The Compensation Committee is formed of 5 members, one of which is also a member of the Audit and Control Committee. The double presence in these committee enables the risks associated with remuneration to be taken into consideration in deliberations of said committees and in their proposals to the Board, both in the determination and in the appraisal process of annual and multi-annual incentives.</p> <p>Moreover, the remuneration scheme establishes adequate and efficient balance between non-variable and variable remuneration components, as described in point A.1. above: the variable components of the remuneration have been established in order that, should minimum targets not be met, these will not be received and there is no guaranteed variable remuneration.</p> <p>The Compensation Committee may propose to the Board of Directors to make adjustment to elements, criteria, thresholds and limits on annual or multi-year variable</p>

remuneration in the event of exception circumstances caused by extraordinary factors or events, whether internal or external.

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

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

In relation to recovery clauses or formulas: a) The Compensation Committee has the power to propose cancellation of the payment of any variable remuneration in unforeseen circumstances that justify said remuneration having accrued due to inaccurate or erroneous information or data, or in the presence of regulatory or legal breaches that are subsequently proven. b) The Remuneration Committee may also claim for repayment of the variable components of remuneration when payment has not been adjusted to performance conditions or when they have been paid on the basis of information later found to be incorrect. c) The Committee will assess whether exceptional circumstances such as those mentioned above may even lead to termination of the relationship with the person(s) responsible and the filing of the corresponding judicial claim.

In particular, the conditions of the Share Acquisition Plan by Beneficiaries of Multiannual Remuneration Programmes establish that the accrual of additional shares is conditional, in addition to the beneficiary remaining in the Repsol Group, upon *"non occurrence during the period prior to each of the deliveries of shares, in the opinion of the Board of Directors based on a report by the Compensation Committee of a material restatement of the Company's financial statements if this affects the degree of fulfilment of the objectives set in the corresponding multi-year remuneration scheme, except when this is due to a change in the applicable accounting principles."*

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

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

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

Explain the structure and remuneration items of the remuneration policy applied during the year

Compensation of directors for their duties as such: The policy has been described in section A.3. The total compensation paid to Directors, including the Chairman of the Board of Directors, for their duties as such in 2016 was 7,252 thousand euros.

Remuneration of the Chairman of the Board: the policy has been described in Section A.3.

1) Fixed remuneration (FR): for 2016, remuneration of the Chairman of the Board totalled 2,390 thousand euros, which includes the amounts for his membership of the Board of Directors and Committees of Repsol, S.A..

2) Payment in kind: the Chairman of the Board receives certain benefits in kind, including life, disability and health insurance. These remunerations also include payments on account/withholdings related to certain payments in kind.

The expense associated with benefits in kind in 2016 amounted to 530 thousand euros.

3) Fixed remuneration as a member of the Boards of participated companies: in 2016 the amount for his membership of the Board of Gas Natural SDG, S.A. totalled 110 thousand euros.

The Chairman has not been granted any advance, credit and /or guarantees by the Company.

Executive Directors for their executive duties:

1) Non-variable remuneration: On February 22, 2017 the Board resolved to maintain the non-variable remuneration of 2016 for 2017, i.e, 1,200 thousand euros for the CEO and 983 thousand euros for the General Counsel.

2) Annual variable remuneration: At year-end, the Compensation Committee makes an assessment of the fulfillment of previously set targets. Section D.2 contains details of the targets set for the annual variable remuneration of the CEO. Based on this, considering the degree of fulfillment in accordance with the metrics provided as well as the modulation agreed by the Board, the CEO's annual variable remuneration amounts to 1,080 thousand euros, which corresponds to 90% of his non-variable remuneration (the details of the targets set for the CEO's 2016 annual variable remuneration are included under section D.2). For the General Counsel, the Compensation Committee considered a global level of achievement for Company objectives and for the objectives related with his personal performance of 90%, entitling him to a sum of 796 thousand euros (81% of his non-variable remuneration).

3) Multi-year variable remuneration: The MTI 2013-2016 programme was closed as at December 31, 2016 in accordance with its rules.

The Compensation Committee has likewise assessed the degree of achievement of the targets set at the beginning of the programme (through application of a mathematical formula according to achievement scales and based on the objective values initially defined. Section C.2 includes the details of targets, metrics and achievement scales.

With respect to the MTI programme 2013-2016, the incentive to be received by the CEO and the General Counsel, for which the Compensation Committee also takes into consideration personal performance, was 328 and 670 thousand euros respectively (equivalent to 67.27% and 68.18% to the maximum achievable).

4) Share Acquisition Plan by Beneficiaries of Multiannual Remuneration Programmes: The CEO participates in the Sixth Cycle of the Plan (2016-2019), having purchased 10,651 Repsol shares. On the other hand, on 31/05/2016 the consolidation period of the 3rd Cycle of the Plan was completed. As a result of this the CEO and the General Counsel consolidated, respectively, rights to delivery of 2,060 and 549 gross shares valued at 11.88 euros per share, which entails an amount equivalent to 24 and 7 thousand euros.

5) Payment in kind: The Executive Directors are entitled to certain payments in kind including, among others, life and disability insurance, medical insurance. The cost

associated with the payments in kind in 2016 were 45 thousand euros for the CEO and 82 thousand euros for the General Counsel. These amounts also include those corresponding to the value of the shares delivered according to section 4 above

6) Welfare Systems: The systems applied in 2016 are the same as those detailed in section A.5. The cost incurred by the Company in 2016 in contributions to pension schemes and welfare schemes for Executive Directors amounted to 253 thousand euros for the CEO and 202 thousand euros for the General Counsel.

7) Non-variable remuneration as members of the Board of Directors of participated companies: In 2016 the amount of this remuneration was 92 thousand euros for the CEO and 167 thousand euros for the General Counsel for their membership of the BoD of Gas Natural SDG, S.A.

C BREAKDOWN OF INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

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

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

i) **Cash remuneration (€k)**

Name/ Type/ Accrual period 2013	Salary	Fixed remuneratio n	Per diem pay men ts	Variable short-term remuneratio n	Variable long-term remuneratio n	Remuneration for membership of board committees	Indemnity	Other items	Total 2016	Total 2015
Antonio Brufau Niubó- Other External	0	2,390	0	0	0	0	0	366	2,756	2,940
Gonzalo Gortázar Rotaeché (Institutional)	0	177	0	0	0	131	0	0	308	170
Isidro Fainé Casas- Institutional (1)	0	118	0	0	0	118	0	0	236	354
Manuel Manrique Cecilia- Institutional	0	177	0	0	0	177	0	0	354	354
Josu Jon Imaz - Executive	1,200	177	0	1,080	328	177	0	36	2,998	2,864
Artur Carulla Font- Independent	0	177	0	0	0	221	0	0	398	398
Luis Carlos Croissier Batista- Independent	0	177	0	0	0	132	0	0	309	309
Rene Dahan- Institutional	0	177	0	0	0	177	0	0	354	354
Ángel Durández Adeva- Institutional	0	177	0	0	0	88	0	0	265	265
Javier Echenique Landiribar- Independent	0	177	0	0	0	132	0	0	309	309
Mario Fernandez Pelaz- Independent	0	177	0	0	0	132	0	0	309	302
M ^a Isabel Gabarró Miquel- Independent	0	177	0	0	0	88	0	0	265	265
Jose Manuel Loureda Mantiñan- Institutional	0	177	0	0	0	88	0	0	265	265
Antonio Massanell Lavilla (2)	0	59	0	0	0	22	0	0	81	0
Henri Philippe Reichstul- Independent	0	177	0	0	0	177	0	0	354	354
J. Robinson West – Independent	0	177	0	0	0	177	0	0	354	354
Luis Suárez de Lezo Mantilla- Executive	983	177	0	796	670	177	0	35	2,838	2,652

(1) Isidro Fainé resigned from his position of member of the Board on September 21, 2016

(2) Antonio Massanell was appointed Director on September 28, 2016

ii) Share-based remuneration systems

iii) Long-term savings systems

Name/ Type/Period of total accrual in years	Contribution to the year by the Company (€k)		Amount of funds accumulated (€k)	
	Year 2016	Year 2015	Year 2016	Year 2015
Luis Suárez de Lezo Mantilla-Executive	202	203	2,495	2,295
Josu Jon Imaz - Executive	253	254	1,345	1,090

iv) Other benefits (in thousands of €)

Name/ Type	Life insurance policy premiums		Guarantees granted by the Company in favor of Directors	
	Year 2016	Year 2015	Year 2016	Year 2015
Antonio Brufau Niubó- Other External	164	155		
Luis Suárez de Lezo Mantilla-Executive	47	43		
Josu Jon Imaz - Executive	9	26		

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

- i) Cash remuneration (€k)**
- ii) Share based remuneration systems**
- iii) Long-term savings systems**
- iv) Other benefits(€k)**

c) Summary of remuneration (€k):

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

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

Name/ Type	Remuneration accruing to the company				Remuneration accruing to group companies				Totals		
	Total cash remuneration	Value of shares granted	Gross profit on options exercised	Total 2015 to the company	Total cash remuneration	Value shares vested	Gross profit on options exercised	Total 2015 to the group	Total 2016	Total 2015	Contribution to saving systems during the year
Antonio Brufau Niubó- Other External (1)	2,756	0	0	2,756	0	0	0	0	2,756	2,940	0
Josu Jon Imaz - Executive	2,998	0	0	2,998	0	0	0	0	2,998	2,903	253
Luis Suárez de Lezo Mantilla- Executive	2,838	0	0	2,838	0	0	0	0	2,838	2,652	202
Isidro Fainé Casas- Institutional (1)	236	0	0	236	0	0	0	0	236	354	0
Gonzalo Gortázar Rotaèche	308	0	0	308	0	0	0	0	308	170	0
Manuel Manrique Cecilia- Institutional	354	0	0	354	0	0	0	0	354	354	0
Artur Carulla Font- Independent	398	0	0	398	0	0	0	0	398	398	0
Luis Carlos Croissier Batista- Independent	309	0	0	309	0	0	0	0	309	309	0
Rene Dahan- Institutional	354	0	0	354	0	0	0	0	354	354	0
Ángel Durández Adeva- Institutional	265	0	0	265	0	0	0	0	265	265	0
Javier Echenique Landiribar- Independent	309	0	0	309	0	0	0	0	309	302	0
Mario Fernandez Pelaz- Independent (2)	309	0	0	309	0	0	0	0	309	302	0
M ^a Isabel Gabarró Miquel- Independent	265	0	0	265	0	0	0	0	265	265	0
Jose Manuel Loureda Mantiñan- Institutional	265	0	0	265	0	0	0	0	265	265	0
Antonio	81	0	0	81	0	0	0	0	81	0	0

Massanell Lavilla (2)											
Henri Philippe Reichstul-Independent	354	0	0	354	0	0	0	0	354	354	0
J. Robinson West – Independent (5)	354	0	0	354	0	0	0	0	354	354	0
Total:	12,753	0	0	12,753	39	0	0	0	12,753	12,614	455

(1) Isidro Fainé resigned from his position of member of the Board on September 21, 2016

(2) Antonio Massanell was appointed Director on September 28, 2016

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

Annual Variable Remuneration

The targets, weightings and metrics considered for the 2016 AVR of the CEO were as follows: (a) Efficiency Targets, with a global weight of 40% and metrics linked to the efficiency and synergies budgeted (30%) and the Repsol FCF breakeven (10%); (b) Operational targets, with a global weight of 45% and metrics associated with adjusted net results (15%), financial rating (10%), production (5%), utilization of conversion capacity (5%) and E&P capex reduction (10%); (c) Sustainability objectives, with a global weight of 5% and metrics linked to the accident frequency rate (5%); and (d) Value creation targets, with a global weight of 10% and a metric based on the share price vs comparable companies.

The Compensation Committee calculates the degree of achievement of targets using a mathematical formula, following the pre-established scales of achievement and based on the target values originally set in the 2016 Annual Budget and the Sustainability Plan. The level of achievement breaks down as follows: a) Efficiency targets, with a level of fulfillment of 110%; b) Operational targets, with a percentage of attainment of 106%; (b) Sustainability objectives, with a percentage of attainment of 50%; and (c) Value creation targets, with a percentage of attainment of 50%.

Based on the above and considering the degree of fulfilment in accordance with the metrics provided as well as the modulation agreed by the Board, the CEO's annual variable remuneration amounts to 1,080 thousand euros, which corresponds to 90% of his non-variable remuneration.

The targets considered for the 2016 AVR of the General Counsel were as follows: a) Corporate transactions and other tasks; b) Corporate Governance; c) Institutional Relations; d) Legal Affairs; and (e) Repsol Foundation.

In relation to these various qualitative objectives, the Compensation Committee has analysed the different milestones and actions carried out during 2016, estimating a level of achievement by the CSG at 90%, implying the payment of 796 thousand euros (81% of his non-variable remuneration).

Multi-year variable remuneration

The MTI 2013-2016 program was closed on December 31, 2016 as stipulated in its rules. The Compensation Committee calculates the level of achievement of the objectives and the global achievement of the program using a mathematical formula and according to the information provided by the People and Organisation and of Strategy, Planning and Global Solutions areas based on the results obtained in respect of the categories of objectives described in section C.1 and the overall fulfilment of the program based on the target values defined initially.

Below is the detail of objectives, weightings, metrics and the level of achievement in each category of objective) in the case of Upstream with a weighting of 42.5%, the level of achievement determined is 28.52%, the metrics considered having been the reserve replacement ratio, the increase in production, the exploration success rate and the execution of projects, investments optimization, annual free cash flow breakeven, value of goodwill related to Talisman's acquisition; b) in Downstream, with a weighting of 25%, the level of achievement determined is 22.5%, the metrics considered being the integrated refining and marketing margin for Repsol vs. the sector and the increase of margin due to the Cartagena and Bilbao projects and the FCF after taxes; c) in Value creation, optimization and financial discipline, with a weighting of 25%, the level of achievement determined is 22.5% and the metrics considered the increasing of net profit/ adjusted net result, the cash flow generated for dividends and debt, the Sinergies and Efficiency Program in Opex and the Divestment Plan; and d) Sustainability, with a weighting of 7.5%, the level of achievement having been calculated at 7.5%, metrics considered being the accident frequency rate and the reduction of gas emissions. For the 2013-2016 MTI, the Compensation Committee established an overall fulfilment of objectives equivalent to 81.

In relation to the CEO and the General Counsel, as mentioned earlier, the Compensation Committee assesses the degree of achievement of the multi-year variable remuneration according to the overall fulfilment of the objectives of the corresponding medium-term incentive programme and their personal performance. Consequently, the incentive payable to the CEO for the IMP 2013-2016 programme was equivalent to 67.27% of the maximum, entitling him to an incentive payment of 328 thousand euros (27.33% of his current non-variable remuneration), and for the General Counsel it has been 68.18% of the maximum, entitling him to an incentive payment of 670 thousand euros 68.18% of his current non-variable remuneration.

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

	Number	% of total
Votes cast	761,969,606	52.85%

	Numbers	% of votes cast
Votes against	37,136,074	4.87%
Votes in favour	723,988,096	95.01%
Abstentions	845,436	0.11%

E OTHER INFORMATION OF INTEREST

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

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

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

It should be noted that since the model Annual Report on Directors' Compensations of Circular 7/2015 does not permit the inclusion of decimals, there are a few minor variations in the figures indicated therein in respect of the real figures. Thus, in the table summarizing compensations, the real total amount of the cash compensation accrued by the Directors is 12,746 thousand euros, rather than 12,753 thousand euros.

This annual report on the remuneration of directors has been approved by the company's board of directors on the 22nd of February of 2017.

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

Yes No

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