



## **COMPENSATION COMMITTEE**

# **Report on the Remuneration of the Directors 2017**

**April 4, 2018**

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

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## 1. PRESENTATION OF THE REPORT

This voluntary report (the "**Report**") is prepared by the Compensation Committee of Repsol S.A. ("**Repsol**", or the "**Company**") to provide detailed information about the implementation of the remuneration policy of the Directors approved in a binding manner by the General Shareholders Meeting on May 19, 2017 (the "**Remuneration Policy**"), both in the performance of their executive functions and the supervision and decision-making functions inherent to the office.

This Report therefore reflects Repsol's ongoing desire to render its remuneration systems more transparent and to help shareholders fully understand the detailed information contained in the Annual Report on Director Remuneration drawn up in accordance with the provisions of art. 541 of the Spanish Corporate Enterprises Act by completing the template set out in Circular 7/2015 of the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores – CNMV<sup>1</sup>) (the "**Annual Report on Remuneration**"), which was recorded on February 28, as Significant Corporate Event No. 262254. Said report, which is attached as an Appendix, will be subject to a consultative vote by shareholders at the next General Shareholders Meeting as a separate item on the agenda.

In business terms Repsol has earned, in FY 2017, the highest net profit of the past six years thanks to the strength of its integrated model and the flexibility shown by its businesses, and the effectiveness of the efficiency programs implemented to counteract the fall in prices of reference raw materials.

In view of the results obtained and after a comprehensive evaluation process carried out by the Compensation Committee, the Board of Directors approved in its meeting of 27 February 2018, an annual variable remuneration amount for FY 2017 for the CEO, equivalent to 120% of his fixed remuneration and to 100% of the maximum attainable, and a degree of achievement of his long-term variable compensation targets (LTI 2014-2017) of 85.65% of the maximum attainable. Accordingly, the CEO's accrued annual variable compensation amounts to 1,440 thousand euros and the long-term variable remuneration amounts to 983 thousand euros (equivalent to 81.91% of his fixed remuneration).

In line with previous years, Repsol continues with its long-term variable remuneration policy, in order to promote the retention and motivation of key individuals and enhance the commitment of the Executive Directors. Thus, in 2017 the LTI 2017-2020 Long-term Incentive was launched, along with the Seventh Cycle of the Share Purchase Plan for Beneficiaries of the Long-term Incentive Programs.

Finally, it should be noted that, during the FY 2017, Repsol has continued its engagement campaign with shareholders and proxy advisors, focused specifically on ESG issues (Environmental, Social and Governance), thus consolidating a pioneering initiative in Spain of two-way dialogue with these stakeholders on these matters.

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<sup>1</sup> Circular 7/2015, of 22 December 2015, which amends Circular 4/2013, of the CNMV, which establishes the annual report models regarding remunerations for directors of listed limited companies, board members and savings banks audit commissions that issue stocks accepted for negotiation on official stock markets.

As established in art. 541 of the Spanish Corporate Enterprises Act, the Annual Remuneration Report will be subject to a consultative vote by shareholders at the 2018 General Shareholders Meeting as a separate item on the agenda.

Madrid, April 4, 2018

## 2. COMPENSATION COMMITTEE

### Membership at of 31 December 2017

Mr. Artur Carulla Font  
(Chairman, Independent)

Mr. Gonzalo Gortázar Rotaeché  
(Institutional)

Mr. Mario Fernández Pelaz  
(Independent)

Mr. José Manuel Loureda Mantiñán  
(Institutional)

Ms. Ángel Duráñez Adeva  
(Independent)

In accordance with the Bylaws and Regulations of the Board of Directors, as of December 31, 2017 the Compensation Committee was comprised entirely by External Directors, the majority of whom (three) were Independent, while the remaining two were Institutional. All the Committee members have extensive experience and expertise in the duties to be performed.

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

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

In accordance with the foregoing, the Compensation Committee has the following functions:

- Propose to the Board the remuneration policy thereof, assessing the responsibility, dedication and incompatibilities required of Directors; and, for Executive Directors, propose to the Board the additional remuneration for their executive functions and other terms of their contracts;
- Propose to the Board of Directors the remuneration policy for general directors or whomever performs the senior executive functions under the Board's direct supervision. Likewise, this Committee will analyse the proposals for the long-term incentives plans that affect the Group's Senior Executives and, in particular, those that may be established in relation to the value of the share and will be familiar with the fundamental aspects related to the Company's general salary policy.
- Propose to the Board of Directors the basic terms for Senior Executives' contracts;
- Verify that the remuneration policy established by the Company is observed;
- Periodically review the remuneration policy applied to Directors and Senior Executives, including share-based remuneration systems and their application;

- Ensure that possible conflicts of interest do not jeopardise the independence of the external advisory services provided to the Committee;
- Verify the information on the remuneration of Directors and Senior Executives contained in the various corporate documents, including the Annual Report on Directors' Remuneration;
- Any other functions related to matters for which they are responsible and that they are asked to perform by the Board of Directors or by its Chairman;
- Report, in advance, to the Board of Directors the cases envisaged under the law and the Company's internal regulations and, in particular, in those cases contained in articles 21 and 22 of the Board of Directors' Regulations related to the use of corporate information and assets for private purposes, as well as the exploitation of business opportunities;
- Report to the Board of Directors in all cases in which the Board itself or its Chairman request a report.

### **2.1. Most relevant activities carried out by the Committee in 2017 and 2018**

In 2017 the Compensation Committee met twice, with personal attendance of all its members to both meetings except in one of them where Ms. María Isabel Gabarró Miquel<sup>1</sup> granted a proxy, with specific vote instructions, to another Independent Director to represent her. In 2018, at the publication date of this report, it has met twice also.

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

- Director's remuneration for their duties as such for 2017 and 2018;
- Fixed remuneration for the CEO and General Counsel for 2017 and 2018;
- Approval of targets linked to annual and long-term variable remuneration of the CEO and General Counsel for 2017 and 2018;
- Appraisal and approval of the annual variable remuneration of the CEO and General Counsel for the results achieved in 2016 and 2017;
- Appraisal of fulfilment of the targets established in the Long-term Incentive programs LTI 2013-2016 and LTI 2014-2017 and determination of the corresponding amounts of long-term compensation;
- Approval of the new Long-term incentive programs LTI 2017-2020 and LTI 2018-2021;

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<sup>1</sup> Ms. Gabarró resigned from her position as Director on 19 May 2017 and was replaced by Mr. Durández at the Compensation Committee.

- Director's Remuneration Policy for 2018, 2019 and 2020 and the Committee's Explanatory Report on that Remuneration Policy;
- Approval and proposal of the Annual Remuneration Report for FY 2016 and 2017 prepared in accordance with the template set out in Circular 7/2015 of the Spanish Securities Market Commission;
- Approval and proposal of the Voluntary Directors' Remuneration reports for 2016 and 2017; and
- Review of the information about the Directors' remuneration contained in the annual accounts of 2016 and 2017.

## 2.2. External consultants

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

Thus, in 2018, EY Abogados, an independent consultant specialized in the field of remuneration of Directors and Senior Management, has advised the Compensation Committee in the preparation of the 2017 Annual Directors' Remuneration Report and of this Report. In addition, Willis Towers Watson has advised the Compensation Committee on the preparation of benchmarking for the CEO's remuneration.

## 3. PAY FOR PERFORMANCE

The compliance of the predetermined and measurable targets established at the beginning of the financial year, by the Board of Directors, at the proposal of the Compensation Committee, to calculate the annual variable remuneration of the Executive Directors is aligned with the economic results achieved by the Company in 2017. Thus, the main business milestones achieved in the year have been:

- Net income increased by 22% and the adjusted net income, which measures the performance of business's, increased by 25% to 2.405 billion euros. Both incomes are the highest in the last six years.
- EBITDA stood at 6.723 billion euros, a 29% improvement on the previous year and the highest in five years.
- The 2017 earnings reflected the strength of the company's integrated model, its flexibility and its capacity to adapt to lower crude oil and gas prices.

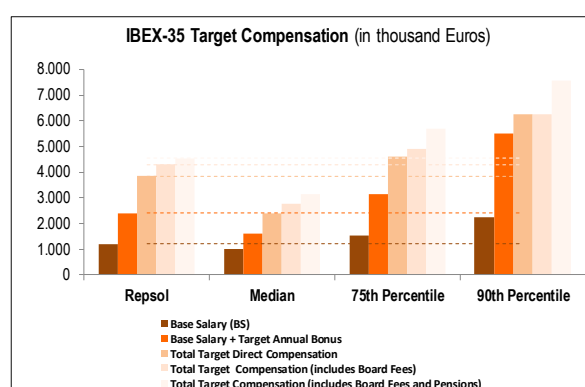
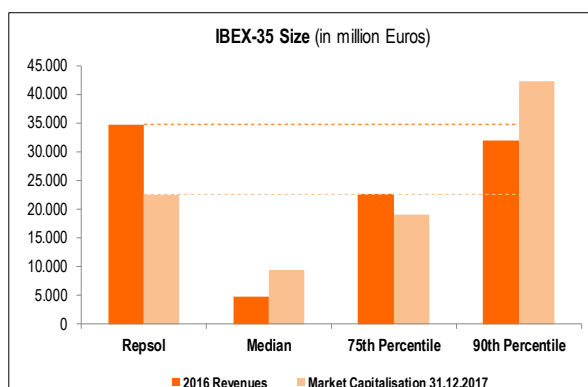
- The Upstream business (Exploration and Production) saw a twelvefold profit increase to 632 million euros, with an increase in production to 695,000 barrels of oil equivalent per day added to significant hydrocarbon discoveries.
- The Downstream (Refining, Chemicals, Marketing, Lubricants, Trading, LPG, Gas & Power) earnings totalled 1.877 billion euros, with growth in Refining, Marketing and Trading and Gas & Power and Peru. The refining margin indicator in Spain grew by 7.9% to 6.8 dollars per barrel.
- Repsol's shares appreciated 10% over the financial year, for a 46% stock increase in the last two years.
- In addition, the Company was the first in its sector worldwide to issue a certified green bond to finance more than 300 initiatives to improve energy efficiency and reduce CO<sub>2</sub> emissions.

In 2017 the specialised firm Willis Towers Watson has carried out an update of the benchmarking analysis for the salary level and structure of the CEO. 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 2017, 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.

The results of the analysis are shown below, with Repsol's positioning with regards to the comparison group in terms of dimension (turnover and market capitalisation) and the positioning of the CEO compared to the group in terms of total remuneration (fixed remuneration, annual variable remuneration and long-term incentives).





An overall vision of Repsol’s dimension data indicates a market benchmark level between the 75<sup>th</sup> and the 90<sup>th</sup> percentile. In terms of total target remuneration (considering a 100% achievement of the established objectives), the position Repsol’s CEO lies between the median and the 75<sup>th</sup> percentile.

**4. REMUNERATION POLICY 2018**

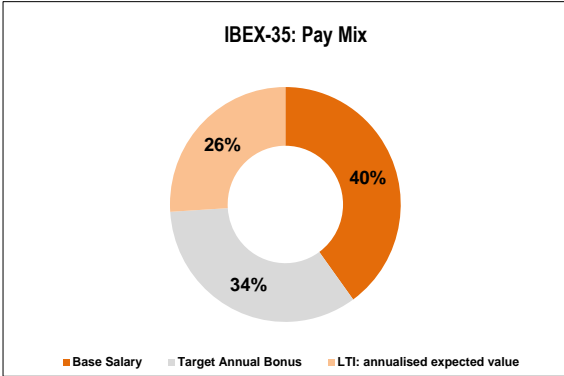
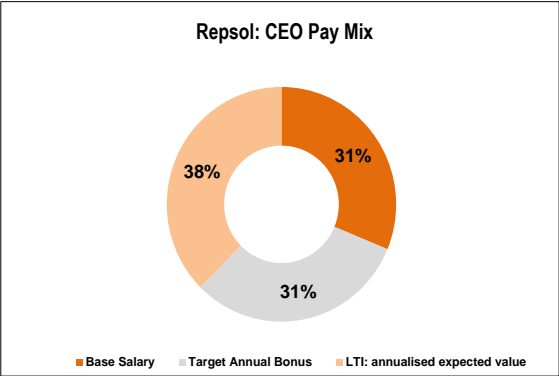
**4.1. Concerning the Executive Directors**

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

In line with previous years, the proposed pay package for 2018 is a suitably balanced and efficient mix of fixed and variable pay items in which the fixed component accounts for a sufficiently high percentage of the total remuneration. The variable pay items must be flexible to the point that they can be completely removed from the pay package, in a given year, if the targets linked to those items have not been achieved. In this case, the Executive Directors will only receive fixed remuneration, as well as other items relating to their participation in pension schemes and in-kind benefits.

In particular, assuming a scenario where the 100% of the targets are met in 2018, fixed remuneration for the CEO would account for 31% of the total remuneration (fixed, annual variable and long-term variable) and the variable remuneration 69% (approximately 45% short term variable pay and 55% long-term variable pay).

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



*The remuneration package of the CEO is in line with market practice of the index where the company is listed (IBEX35) where the weight of fixed pay is 40% of the total compensation and variable remuneration accounts for 60% (57% short-term variable pay and 43% long-term variable pay).*

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

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

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

Listed below are the items of the remuneration package of the Executive Directors for 2018 and its main characteristics:

**4.1.1. Fixed Remuneration**

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

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

In order to determine the fixed remuneration and any possible updates to it, the Compensation Committee takes into account, among other matters, the specific characteristics of each position and the dedication required, market analyses and average increases in the remuneration of the

Company's Senior Executives. All of the foregoing in order to establish compensation that befits the function performed, guaranteeing that it is competitive with respect to the reference market.

The Board of Directors resolved, at its meeting of 27 February 2018, at the proposal of the Compensation Committee, to keep the fixed remuneration of the CEO and the General Counsel for 2018 in the same amounts as those established for 2017, namely 1,200 thousand euros for the CEO and 983 thousand euros for the General Counsel.

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

#### 4.1.2. Annual Variable Remuneration

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

The following table details the goals, indicators and weightings proposed by the Compensation Committee for the current year, in respect of the CEO's annual variable compensation, and approved by the Board of Directors at its meeting of 27 February 2018<sup>1</sup>:

CATEGORY	WEIGHT	INDICATOR	WEIGHTING
<b>STRATEGY</b>	20%	New Strategic Plan	20%
<b>EFFICIENCY</b>	30%	Efficiencies and Commitments – AB 18	15%
		Breakeven of Repsol free cash flow	15%
<b>OPERATIONS</b>	45%	Net profit	20%
		Net debt	10%
		Production	10%
		Utilisation of conversion capacity	5%
<b>SUSTAINABILITY</b>	5%	Total accident frequency and fatality rate	5%

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

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

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

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

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

With regards to the CEO, the structure of his annual variable remuneration for 2018 is maintained in the same terms as per 2017, with amounts varying between 0%, if the minimum fulfilment threshold is not reached, and 100% of his fixed remuneration, if 100% of the established targets is reached.

Therefore, in a scenario where 100% of the targets are achieved, the CEO would receive 1,200 thousand euros as annual variable remuneration. Notwithstanding that, the Board of Directors retains the ability to adjust, to a maximum of 20% upwards or downwards, the final quantitative results for the annual variable remuneration of the CEO, depending on the quality of results, individual performance and other issues that require qualitative measurement. Thus, the maximum amount of the annual remuneration for the CEO would be 1,440 thousand euros.

Similarly, the General Counsel's annual variable remuneration is also maintained for 2018 in the same terms laid down in the approved Remuneration Policy, with amounts varying between 0% and 90% of the fixed remuneration. Therefore, in a scenario where 100% of the targets are achieved, the General Counsel would receive 885 thousand euros as annual variable remuneration.

The annual variable remuneration is paid entirely in cash.

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

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

These programs are independent of each other, but their main characteristics are the same. They are schemes structured into overlapping cycles of 4 years, and are linked to the fulfilment of targets and commitments established in the Strategic Plan in force at each moment, directly aligned with maximizing the value of the Company in a sustained manner as well as the retention of the Executive Directors until the end of the vesting period. The Company commits to disclose said targets in the 2018 Remuneration Annual Report.

In line with this policy, in 2018 the LTI 2018-2021 has been launched. Its targets, metrics and weights will be defined in the following months, once the new Strategic Plan for 2018-2021 has been approved. In any case, the LTI 2018-2021 will be conditioned to the fulfilment of business, value creation and sustainability objectives.

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

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

With regards to the CEO, the structure of his long-term variable remuneration for 2018 is maintained in the same terms laid down in the approved Remuneration Policy, with amounts varying between 0%, if the minimum fulfilment threshold is not reached, and 120% of his fixed remuneration, if the joint fulfilment of the program's targets is 100%.

Therefore, with a 100% level of achievement, the CEO would receive 1,440 thousand euros as long-term variable remuneration. Notwithstanding that, the Board of Directors retains the ability to adjust, to a maximum of 20% upwards or downwards, the final quantitative results for the long-term variable remuneration, depending on the quality of results, individual performance and other issues that require qualitative measurement. Thus the maximum amount of the long-term incentive for the CEO would be 1,728 thousand euros.

Similarly, the General Counsel's long-term variable remuneration is also maintained for 2018, varying between 0% and 100% of the fixed remuneration. Therefore, with a 100% level of achievement, the General Counsel would receive 983 thousand euros as long-term variable remuneration.

Once the measurement period of the long-term incentive is over, the Compensation Committee will perform, in the first quarter of 2022, an appraisal of the fulfilment levels achieved in each of the objectives and the plan as a whole, based on the information provided by the Company, and will propose the amount of incentive to apply according to the established achievement scales.

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

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

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

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

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

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

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

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

For the additional cycles approved at the 2016 General Shareholders Meeting, several extra performance targets were established with regards to beneficiaries with Senior Management status, meaning the Executive Directors and those directors who are part of the Corporate Executive Committee or any other equivalent committee that may replace it in the future. In this way, these beneficiaries will only be entitled to receive the extra share if, in addition to complying with the general conditions of the Plan applicable to all the beneficiaries, the overall a level of compliance of the targets established for the Long-Term Incentive program closed in the financial year immediately preceding the date of delivery of the shares, is equal or greater than 75%.

At 2017 year end, the Fifth (2015-2018), Sixth (2016-2019) and Seventh (2017-2020) cycles of the Beneficiaries' Share Purchase Plan for the Long-Term Incentive Programs were in force.

The consolidation period of the 5th Cycle of the Plan (2015-2018) is expected to be completed in 2018, which the CEO and the General Counsel participate in, as well as the launching of the Eighth Cycle of the Share Purchase Plan for Beneficiaries of the Long-Term Incentive Program (2018-2021).

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

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

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

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

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

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

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

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

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

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

Taking into account the foregoing, the expectation is that in 2018 contributions will be made to the Executive Directors' pension plans and benefits plans, as the case may be, amounting to 253 thousand euros for the CEO and 197 thousand euros for the General Counsel Director.

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

The Executive Directors are beneficiaries of certain payments in kind that include, among other matters, life and disability insurance and health insurance. As applicable, these payments also



include the payments on accounts linked to cash remuneration. The amount foreseen for 2018 of these perceptions will be in line with the amount paid in 2017. The exact amounts paid during 2018 will be detailed in the 2018 Annual Report on the Remuneration of Directors.

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

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

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

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

The contracts signed with the Executive Directors are indefinite, do not provide a notice period for Repsol for its termination and establish a post-contractual non-compete obligation. This obligation means that, once the term of the contract has expired, they may not provide services in companies similar to Repsol. Furthermore, all the contracts establish the non-compete obligation, for the duration of their relationship with the Company, with business and activities of a similar nature.

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

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

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

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

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

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

Furthermore, as provided in Article 45 of the Bylaws, the Company has taken out a collective liability insurance policy that covers to the Directors, managers and other employees of the Group who exercise management-related functions. The policy covers the different companies of the Group under certain circumstances and conditions.

#### **4.2.1. Maximum limit**

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

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

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

#### **4.2.2. Fixed remuneration**

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

For FY 2018 the Board of Directors resolved, at this meeting of 27 February 2018, upon recommendation by the Compensation Committee, to maintain the value of the point in 2018 at the amount set for 2017, i.e. 88,297.11 euros gross/year. In this way, remuneration for membership of the Board of Directors has risen 2.5% since 2009.

The approved points table for FY 2018 is as follows:

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

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

The remuneration of the Chairman of the Board of Directors is established in the Directors' Remuneration Policy approved at General Shareholders Meeting 2017 and reflects the importance of the Chairman's role, his workload and his involvement in the office he has held since 30 April 2015, as well as any other criteria contained in the said Policy.

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

For 2018 the total fixed remuneration of the Chairman of the Board of Directors amounts to 2,500 thousand euros, which includes amounts for sitting on the Board of Directors and Committees of Repsol's Group, multi-group and associated companies. This is the same amount as for FY 2017.

Also, the Chairman of the Board of Directors is also the beneficiary of certain in-kind benefits that include, among others, life insurance, medical insurance, the cost of the residence that the Company provides him as a home and for the institutional representation of the Company, the corresponding payments on account arising from such items and the economic compensation for the applicable personal taxation arising from the aforementioned in-kind remuneration (withholdings). The amount foreseen for 2018 of these perceptions will be in line with the amount paid in 2017. The exact amounts paid during 2018 will be detailed in the 2018 Annual Report on the Remuneration of Directors.

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

Following Mr Brufau's decision to waive payment of 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.

**5. IMPLEMENTATION OF THE REMUNERATION POLICY IN 2017**

This section details the remuneration received by the Directors in 2017 in line with the Remuneration Policy adopted by the Company.

**5.1. Concerning the Executive Directors**

**5.1.1. Fixed Remuneration**

The total amount of the fixed remuneration of the Executive Directors, for performing executive duties, in 2017 amounted to 2,183 thousand euros. The breakdown is as follows:

	Fixed remuneration 2017 in thousands of euros
Mr Josu Jon Imaz	1,200
Mr. Luis Suárez de Lezo	983

**5.1.2. Annual Variable Remuneration**

In the year 2017 the Executive Directors were assigned variable annual remuneration in line with the Remuneration Policy.

The following table details the categories of targets approved by the Board of Directors, on the proposal of the Compensation Committee, with regards to the annual variable remuneration of the CEO as well as the indicators, weightings and the degree of fulfilment that have determined the amount of the annual variable remuneration for 2017:

CATEGORY	WEIGHT	INDICATOR	WEIGHTING	TARGET VALUE 2017	VALUE REACHED	% ACHIEVEMENT	TFR
EFFICIENCY	40%	Budgeted efficiencies and synergies	30%	AB17 = 2,179 M€	More than 2,400 M€	110%	33.00
		Repsol Free Cash Flow Breakeven	10%	AB17 = \$45/boe	≈ 40\$/bbl <sup>1</sup>	110%	11.00
OPERATIONAL	45%	Net profit	15%	AB17 = 1,802 M€	2,405 M€	110%	16.50
		Net debt	10%	AB17 = 6,808 M€	6,267 M€	110%	11.00
		Production	10%	AB17 = 677 Kboe/d	695 Kboe/d	110%	11.00
		Utilisation of conversion capacity	5%	AB17 = 97.0%	104%	110%	5.50
		E&P Capex	5%	AB17 = 2,873 M€	2,361 M\$	110%	5.50
SUSTAINABILITY	5%	Total accident frequency rate and fatalities	5%	TFR AB17 = 2.08 and 0 fatalities	1.43 and 0 fatalities	110%	5.50
VALUE CREATION	10%	Share prices vs. comparable companies	10%	Above comparable companies <sup>2</sup>	2 <sup>nd</sup> position	100%	10.00
				<b>Level of achievement</b>			<b>109.0</b>
				<b>Fulfilment Rate<sup>3*</sup></b>			<b>100%</b>

Accordingly, taking into account the fulfilment rate with the established indicators, as well as the adjustments agreed by the Board of Directors due to the extraordinary results obtained in a complex environment, at the proposal of the Compensation Committee, the amount of the CEO's annual variable remuneration for 2017 amounts to 1,440 thousand euros that represent 120% of his fixed remuneration.

To this end, the Board of Directors has valued the leadership and excellent performance of the CEO in 2017, which has led the Company to obtain the highest net income of the past six years that has resulted in a 29% increase in EBITDA, to 6.723 billion euros, the best result of the last five years. At the same time, the company reduced its debt by 23% at the end of the year and the implementation of the synergies and efficiency program has generated more than 2.4 billion euros in savings,

<sup>1</sup> Without isolating positive and atypical cash impacts that occurred, the FCF breakeven has been \$ 31 / bbl.

<sup>2</sup> The inclusion of this target in the CEO's annual remuneration was specifically approved at the 2017 General Shareholders' meeting, providing that its level of compliance would be determined by the evolution Repsol's share price compared to a selected sample of five international benchmark companies (Total S.A., Royal Dutch Shell p.l.c., BP p.l.c., ENI S.p.A. and OMV Aktiengesellschaft). The benchmark information considers the average daily closing quote (arithmetic mean) of December 2017 and its evolution in respect of the average daily closing quote (arithmetic mean) of December 2016 that has been the following for the selected companies: Total, S.A. 47.15 euros, Royal Dutch Shell, p.l.c. 25.45 euros, BP p.l.c. 486.33 British pence, ENI S.p.A. 14.73 euros, OMV Aktiengesellschaft 32.76 euros and Repsol 13.25 euros.

The level of achievement of the objective, measured as the percentage evolution of the share price between the arithmetic mean at the close of December 2016 and the arithmetic mean at the close of December 2017, is calculated depending on Repsol's position among the peers so that for 1st position the achievement level is set at 120%, for 2nd position 100, for 3rd position 80%, for 4th position 50% and for 5th and 6th position 0%.

<sup>3</sup> The total Target Fulfilment Rate (TFR) applied cannot exceed 100%.

exceeding expectations and meeting its objective, set forth in the strategic plan, one year earlier than anticipated. The company’s good performance and the fulfillment and exceedance of the goals announced to the market had a direct impact on evaluations from rating agencies, which unanimously increased their ratings. All of this data was reflected in the stock market, where Repsol shares saw an annual appreciation of 10%, for a total of 46% over the last two years.

In addition, the Board of Directors has valued positively the commitment of the CEO with sustainability and, in particular, the issuance by Repsol, in May, of a certified green bond, becoming the world’s first company in its sector to use this type of asset, which will finance more than 300 initiatives aimed at improving energy efficiency and reducing CO2 emissions.

In relation to the General Counsel, the targets set for the 2017 annual variable remuneration were related to strategic, efficiency, operations and sustainability targets as well as objectives related to the following: a) Corporate transactions and other tasks; b) Corporate Governance; c) Institutional Relations; d) Legal Affairs; and e) Repsol Foundation. The Compensation Committee has analysed the milestones and actions implemented regarding these targets, being the fulfilment rate achieved 100%, which involves the payment of 885 thousand euros (90% of his fixed remuneration).

On the basis of the foregoing, at its meeting of 27 February 2018, at the proposal of the Compensation Committee, the Board of Directors resolved to pay the amounts indicated below as the annual variable remuneration of the CEO and the General Counsel corresponding to 2017.

	Annual Variable Remuneration 2017 in thousands of euros
Mr. Josu Jon Imaz	1,440
Mr. Luis Suárez de Lezo	885

**5.1.3. Long-Term Variable Remuneration**

The Long-Term Incentive 2014-2017 Program closed on December 31, 2017 as per its terms and condition.

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

Category	Indicator	Accumulated Target Value 2014-2017	Individual Attainment %	Gobal Attainment %
UPSTREAM	Reserve Replacement Ratio	2.5%	RRR envisaged for period 2014-2017	2.5
	Increase in production	2.5%	Increase envisaged for period 2014-2017: 7% annual cumulative average	0
	Exploration success rate	2.5%	Contingent resources ≥ Mean resources	1.9
	Project performance:	5.6%	Delays ≤ 6 months and real cost ≤ 90% of FID	4.7
	Operating margin per barrel	1.9%	Operating margin per barrel set at the Strategic Plan (E&P Operating recurring result without gross-up / boe sold (\$/boe))	1.4
	Efficiency of investments	5%	Target capex on the Strategic Plan	5.0
	Annual free cash flow breakeven	7.5%	Target FCF (\$/bbl)	7.5
	Acquisition and integration of Talisman	6.3%	Acquisition materialisation; fulfilment of Integration Project milestones; adaptation of the organisation and identification of synergies.	3.8
	Value of Talisman assets:	3.8%	Value of NPV assets ≥ Value of PPA assets	3.8
	Value of goodwill associated with the acquisition of Talisman	3.8%	Absence of impairments of Goodwill	3.8
DOWNSTREAM	Integrated refining and marketing margin of Repsol vs. sector	11.25%	First or second European company	10.6
	Free cash flow after tax	10%	FCF real ≥ FCF envisaged in the Strategic Plan	10.0
VALUE CREATION AND FINANCIAL DISCIPLINE	Increase of Net Profit recurring CCS / Net adjusted income	11.3%	Real net Profit recurring CCS ≥ Net Profit recurring CCS envisaged in the Strategic Plan	11.3
	Cash generated for dividends and debt	1.3%	Real cash for dividends and debt ≥ Cash for dividends and debt envisaged in the Strategic Plan	1.3
	Synergies and Opex Efficiency Program	7.5%	Real Opex savings ≥ Opex savings envisaged	7.5
	Divestment plan	7.5%	Real divestments ≥ Divestments envisaged in the Strategic Plan	7.5
SUSTAINABILITY	Integrated accident frequency rate	5%	Average real FR – Average target FR for years 2014-2017	4.1
	CO <sub>2</sub> eq. emissions reduction plan	5%	Real volume of emissions reduced ≥ Target volume of emissions to be reduced	5.0
<b>Total score under 2014-2017 Plan</b>				<b>91.4%</b>

The Compensation Committee has employed mathematical formulae to calculate the degree of fulfilment of the pre-established targets based on the information received from the People and Organisation and the Strategy, Control and Resources areas on the results obtained and on the basis of the objective values initially defined has decided to establish the overall LTI attainment level at 91.4%.

Likewise, to determine the amounts of long-term variable remuneration payable to the Executive Directors, the Compensation Committee has also valued their personal performance throughout the duration of the program. The incentive to be received by the CEO has been equivalent to 85.65% of the maximum attainable incentive, and the incentive to be received by the General Counsel has been 84.55%, thus giving rise to payment of the following amounts approved by the Board of Directors upon a proposal from the Compensation Committee:

	Long-Term Variable Remuneration 2017 in thousands of euros
Mr Josu Jon Imaz	983
Mr. Luis Suárez de Lezo	831

In the case of the CEO, the amount is equivalent to 81.91% of his fixed annual remuneration and for the General Counsel the amount represents 84.55% of his fixed annual remuneration.

In accordance with the resolutions passed by the General Shareholders Meetings on May 19, 2017 and as indicated under paragraph 4.1.3 above, the amount of the Long-Term Incentive 2014-2017 will be paid to the Executive Directors in a proportion of 70% in cash and 30% in Company shares, so that the CEO will receive 821 thousand euros in cash and 11,380 Company shares representing an amount of 162 thousand euros and the General Counsel Director will receive 694 thousand euros in cash and 9,623 Company shares representing an amount of 137 thousand euros.

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

In May 2017 the process of voluntary adherence to the Seventh Cycle of the Share Purchase Plan for Beneficiaries of the Long-Term Incentive Program (2017-2020) was conducted, whereby the CEO acquired 10,651 Repsol shares and the General Counsel Director acquired 3,334 shares.

At the end of the Seventh Cycle of the Plan in May 2020, subject to the conditions laid down in the Rules of the Plan, the CEO may receive a maximum of 3,465 shares and the General Counsel Director a maximum of 1,111 shares.

Additionally, it should be noted that on 30 May 2017 the consolidation period was completed of the Fourth Cycle of the Share Purchase Plan for Beneficiaries of the Long-Term Incentive Program (2014-2017). As a result of this the CEO and the General Counsel consolidated, respectively, rights to delivery of 1,707 and 1,126 gross shares valued at 14.28 euros per share, which entails an amount equivalent to 25.3 and 16.68 thousand euros.

It should be noted that as of the date of the present Report, the CEO has a number of Company shares representing more than twice his current non-variable remuneration. The number of shares held by the CSG as of this date represents approximately 90% of his current fixed remuneration.



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

In 2017, Repsol has contributed 246 thousand euros to the Executives' Benefits Plan explained in paragraph 4.1.6 above in which the CEO participates. In addition, the CEO is also unit-holder of a defined contribution company pension scheme of Repsol, the contribution to which for FY 2017 was seven thousand euros.

The General Counsel participates in a deferred remuneration scheme, called the "*Permanence Reward*" explained as well in paragraph 4.1.6 above. In 2017, Repsol contributed 197 thousand euros.

### **5.1.6. Other benefits**

The Executive Directors are beneficiaries of certain payments in kind that include, among other matters, life and disability insurance and health insurance. The expenditure associated with in kind benefits received in 2017 amounts to 31 thousand euros for the CEO and 129 thousand euros for the General Counsel.

Meanwhile, in 2017 the Company has not granted any advance payments, loans or guarantees to the Executive Directors.

In addition, the Executive Directors receive an additional fixed remuneration for sitting on the boards of directors of other Repsol investee companies. Thus, in 2017 the CEO and the General Counsel received, respectively, 253 and 167 thousand euros for sitting on the board of Gas Natural SDG, S.A.:

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

The Board of Directors resolved, at its meeting of 22 February 2017, upon recommendation of the Compensation Committee, to maintain the value of the point in 2017 at the amount of 88,297.11 euros gross/year. In this way, remuneration for membership of the Board of Directors has risen 2.5% since 2009.

For 2017, the total amount of compensation of the Directors for their non-executive functions amounted to 7,345 thousand euros, including the remuneration of the Chairman of the Board of Directors.

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

Finally, it should be noted that the Company has a collective liability insurance policy that covers the Directors, managers and other employees of the Group who exercise management-related functions, and that also extends to different companies of the Group under certain circumstances and conditions. The overall amount of the premium corresponding to FY 2017 amounted to 1.8 million

euros. This amount corresponds to all of the insured and therefore does not refer exclusively to the members of the Board of Directors of Repsol.

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

For 2017 the total fixed remuneration of the Chairman of the Board of Directors has amounted to 2,500 thousand euros.

In addition, as provided in the Remuneration Policy, the Chairman is the beneficiary of certain in-kind benefits that include, among others, life insurance, medical insurance, the cost of the residence that the Company provides him as a home and for the institutional representation of the Company, the corresponding payments on account arising from such items and the economic compensation for the applicable personal taxation arising from the aforementioned in-kind remuneration (withholdings). The expenditure associated with payments in kind to the Chairman of the Board of Directors amounted to 589 thousand euros.

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

## 6. INDIVIDUAL REMUNERATION TABLES

### 6.1. Remuneration of the Executive Directors for the Financial Year 2017

The following table shows a summary of the accrued gross total remuneration of the Executive Directors during FY 2017:

*(In thousands of euros)*

Remuneration of the Executive Directors for the Financial Year 2017						
Directors	Fixed Remuneration	Annual Variable Remuneration	Remuneration for duties as Director <sup>1</sup>	Long-Term Variable Remuneration in cash <sup>2</sup>	Long-Term Variable Remuneration in shares <sup>3</sup>	Total
Mr. Josu Jon Imaz	1,200	1,440	354	821	162	<b>3,977</b>
Mr. Luis Suárez de Lezo	983	885	354	694	137	<b>3,053</b>

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

**2 Long-Term Variable Remuneration in cash:** refers to the remuneration corresponding to the Long-Term Incentive 2014-2017 paid in cash.

**3 Long-Term Variable Remuneration in shares:** refers to the remuneration corresponding to the Long-Term Incentive 2014-2017 paid in shares (11,380 shares in the case of the CEO and 9,623 shares in the case of the General Counsel Director)

With regards to the **Share Purchase Plan for Beneficiaries of the Long-Term Incentive Programs**, on 30 May 2017 the consolidation period of the Fourth Cycle (2014-2017) was completed, whereby the CEO and the General Counsel consolidated the right to receive gross shares for total value shown:

Directors	No. gross shares	Total value (in thousands of euros)	No. net shares delivered
Mr. Josu Jon Imaz	1,707	25.30	1,180
Mr. Luis Suárez de Lezo	1,126	16.68	778

With regards to the current cycles of the Plan, shown below are the number of shares purchased by the CEO and the General Counsel on the Cycle 2017-2020 that will generate, if held for a period of three years and the entire plan's other conditions are met, the delivery of one additional share for every three shares initially purchased:

The following table shows a breakdown of the cost incurred by the contributions to pension schemes for the 2017, as well as other received by the Directors in that period:

Number of shares acquired by the Executive Directors		2017-2020 Cycle	shows a breakdown of Company in plans and welfare Executive Directors for remuneration in kind
Directors			
Mr. Josu Jon Imaz		10,934	
Luis Suárez de Lezo		3,334	

*(In thousands of euros)*

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

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

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

*(In thousands of euros)*

Directors	Life Insurance Premiums	Health Insurance and Other Welfare Benefits	Total Payment In Kind
Mr. Josu Jon Imaz	16	15	<b>31</b>
Mr. Luis Suárez de Lezo	84	45	<b>129</b>

## 6.2. Directors' compensation in their condition as such for FY 2017

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

(In thousands of euros)

Director	Fixed allocation	Remuneration for membership of Board Committees	TOTAL 2017
<b>Executive</b>			
<i>Josu Jon Imaz San Miguel</i>	177	177	354
<i>Luis Suárez de Lezo Mantilla</i>	177	177	354
<b>Institutional</b>			
<i>Jordi Gual Solé<sup>(1)</sup></i>	0	0	0
<i>Manuel Manrique Cecilia</i>	177	177	354
<i>Rene Dahan</i>	177	177	354
<i>José Manuel Loureda Mantiñán</i>	177	88	265
<i>Gonzalo Gortázar Rotaeché</i>	177	199	376
<i>Antonio Massanell Lavilla<sup>(2)</sup></i>	177	66	243
<b>Independent</b>			
<i>Ángel Duráñez Adeva<sup>(3)</sup></i>	177	103	280
<i>Artur Carulla Font</i>	177	221	398
<i>Luis Carlos Croissier Batista</i>	177	132	309
<i>Javier Echenique Landiribar<sup>(4)</sup></i>	74	55	129
<i>Mario Fernández Pelaz</i>	177	132	309
<i>María Teresa Ballester Fornés<sup>(5)</sup></i>	118	59	177
<i>Mariano Marzo Carpio<sup>(6)</sup></i>	118	44	162
<i>Isabel Torremocha Ferrezuelo<sup>(7)</sup></i>	118	59	177
<i>María Isabel Gabarró Miguel<sup>(8)</sup></i>	74	37	111
<i>Henri Philippe Reichstul<sup>(9)</sup></i>	74	74	148
<i>J. Robinson West</i>	177	177	354
<b>Other outside</b>			
<i>Antonio Brufau Niubó</i>	2,500	-	2,500

(1) Mr. Gual was appointed Director and member of the Remuneration Committee on 20 December 2017.

(2) Mr. Massanell resigned from his position as Director and member of the Appointments and of the Sustainability Committee on 20 December 2017.

(3) Mr. Duráñez was appointed member of the Remuneration Committee on 19 May 2017.

(4) Mr. Echenique resigned from his position as Director and Chairman of the Audit and Control Committee and member of the Sustainability Committee on 19 May 2017.

(5) Ms. Ballester was appointed Director and member of the Audit and Control Committee on 19 May 2017.

(6) Mr. Marzo was appointed Director and Chairman of the Sustainability Committee and member of the Appointments Committee on 19 May 2017.

(7) Ms. Torremocha was appointed Director and member of the Audit and Control Committee on 19 May 2017.

(8) Ms. Gabarró resigned from her position as Director and Chairman of the Sustainability Committee and member of the Compensation Committee on 19 May 2017.

(9) Mr. Reichstul resigned from his position as Director and member of the Delegated Committee on 19 May 2017.

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

Directors	Remuneration for belonging to the Board of Directors of Gas Natural SDG, S.A.
Mr. Josu Jon Imaz	253
Mr. Luis Suárez de Lezo	167

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

(In thousands of euros)

Directors	Remuneration for Board membership	Remuneration por Committees membership	Fixed Remuneration	Short-term Variable Remuneration	Long-term Variable Remuneration	Compensation	Other items <sup>1</sup>	Total FY 2017	Total FY 2016	Contributions to Long-term saving plans
<b>Executive</b>										
<i>Josu Jon Imaz San Miguel</i>	177	177	1.200	1.440	983	--	56	4.033	3.007	254
<i>Luis Suárez de Lezo Mantilla</i>	177	177	983	885	831	--	146	3.199	2.885	197
<b>Institutional</b>										
<i>Jordi Gual Solé</i>	0	0	--	--	--	--	--	0	--	--
<i>Manuel Manrique Cecilia</i>	177	177	--	--	--	--	--	354	354	--
<i>Rene Dahan</i>	177	177	--	--	--	--	--	354	354	--
<i>José Manuel Loureda Mantiñán</i>	177	88	--	--	--	--	--	265	265	--
<i>Gonzalo Gortázar Rotaeché</i>	177	199	--	--	--	--	--	376	308	--
<i>Antonio Massanell Lavilla</i>	177	66	--	--	--	--	--	243	81	--
<b>Independent</b>										
<i>Ángel Duráñez Adeva</i>	177	103	--	--	--	--	--	280	265	--
<i>Artur Carulla Font</i>	177	221	--	--	--	--	--	398	398	--
<i>Luis Carlos Croissier Batista</i>	177	132	--	--	--	--	--	309	309	--
<i>Javier Echenique Landiribar</i>	74	55	--	--	--	--	--	129	309	--
<i>Mario Fernández Pelaz</i>	177	132	--	--	--	--	--	309	309	--
<i>María Teresa Ballester Fornés</i>	118	59	--	--	--	--	--	177	--	--
<i>Mariano Marzo Carpio</i>	118	44	--	--	--	--	--	162	--	--
<i>Isabel Torremocha Ferrezuelo</i>	118	59	--	--	--	--	--	177	--	--
<i>María Isabel Gabarró Miquel</i>	74	37	--	--	--	--	--	111	265	--

<i>Henri Philippe Reichstul</i>	74	74	--	--	--	--	--	148	354	--
<i>J. Robinson West</i>	177	177	--	--	--	--	--	354	354	--
<b>Other External</b>										--
<i>Antonio Brufau Niubó</i>	2.500	--	-	--	--	--	589	3.089	2.920	--
<b>TOTAL</b>	<b>5.200</b>	<b>2.154</b>	<b>2.183</b>	<b>2.325</b>	<b>1.814</b>	<b>--</b>	<b>749</b>	<b>14.467</b>	<b>12.737</b>	<b>451</b>

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



## 7. TABLES OF VOTING RESULTS IN GENERAL MEETINGS

The following table lists the vote percentages obtained at the Company's Ordinary General Shareholders Meeting, held in 2017 in relation to the Annual Report on Directors' Remuneration:

Annual Report on Directors' Remuneration		
	Number	% of votes cast
<b>Votes in favour</b>	827,942,489	97.089%
<b>Votes against</b>	24,459,574	2.868%
<b>Abstaining</b>	288,006	0.034%

**8. APPENDIX; ANNUAL REPORT ON REMUNERATION OF REPSOL DIRECTORS (MODEL APPENDIX I CIRCULAR 4/2013 (amended by Circular 7/2015 CNMV))**