



AGM 2019
*Translation of the original in Spanish.
In case of any discrepancy, the Spanish version prevails*

ORDINARY SHAREHOLDERS' MEETING 2019

REPORT BY THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTIONS



Report of the Board of Directors on the resolution proposed under point first (“Review and approval, if appropriate, of the Annual Financial Statements and Management Report of Repsol, S.A. and the Consolidated Annual Financial Statements and Consolidated Management Report, for fiscal year ended 31 December 2018”), second (“Review and approval, if appropriate, of the Statement of Non Financial Information for fiscal year ended 31 December 2018”) and third (“Review and approval, if appropriate, of the proposal for the allocation of 2018 results”) on the Agenda.

The Annual Financial Statements and the different documents comprising them in accordance with the Spanish Code of Commerce, Companies Act and other applicable provisions, including sector provisions in place, consisting of both the individual financial statements of Repsol, S.A. and the consolidated financial statements of its Group of Companies, together with the Management Report of Repsol, S.A. and the Consolidated Management Report, which includes the Statement of Non Financial Information, were approved by the Board of Directors on 27 February 2019, after being reviewed by the Audit and Control Committee and the Internal Transparency Committee of Repsol, S.A., and after certification by the CEO and the CFO.

The Individual and Consolidated Management Reports include, in a separate section as an Annex, the 2018 Annual Corporate Governance Report with the content established by Circular 5/2013, of 12 June, of the Spanish National Securities Market Commission, as amended by Circular 2/2018 of the Spanish National Securities Market Commission.

Furthermore, as provided for under Spanish Law 11/2018, of 28 December, amending the Spanish Code of Commerce, (*Código de Comercio*), the Spanish Companies Act (*Ley de Sociedades de Capital*) and the Spanish Audit of Accounts Act (*Ley de Auditoría de Cuentas*) in relation to non-financial information and diversity, the Statement of Non Financial Information has been included in the Consolidated Management Report - its contents are indicated in Annex V (“*Statement of Non Financial Information*”) of the aforementioned Management Report - which is submitted for the consideration of this General Shareholders Meeting under point second of the Agenda, and that has been reviewed in turn by the Sustainability Committee.

These Annual Financial Statements and the Management Reports have been audited by the auditors of Repsol, S.A. and its Consolidated Group, and the Statement of Non Financial Information has been verified by PricewaterhouseCoopers Auditors, S.L.

All these documents, together with the Auditors and PricewaterhouseCoopers Auditores, S.L. reports are available for consultation by shareholders on the Company’s website (www.repsol.com) and at the registered office, street Méndez Álvaro nº 44, 28045 Madrid, where shareholders may also request delivery of a copy or remittance, free of charge, to any address they may indicate.

With the approval of the Annual Financial Statement, it is proposed under point third of the



Agenda the approval of the application of profits of Repsol, S.A. for 2018, in an amount of 2,368,903,309.84 euros, as indicated in the Notes to the Individual Annual Financial Statements (Note 3 – Application of Profit), approved by the Board of Directors on 27 February 2019.

The proposal includes the amounts to increase the company's legal reserve, necessary after the share capital increases and reduction of the last years (12,494,546.20 euros), and the voluntary reserves (2,356,408,763.64 euros).

In addition, under point fifth on the Agenda, a proposal is put to the Shareholders' Meeting within the framework of the "Repsol Flexible Dividend" programme, to authorise a capital increase against reserves, equivalent to a remuneration of approx. 0.525 euros gross per share. If the proposal is approved, it is planned to implement this scrip dividend on the dates on which the final dividend has traditionally been paid.



Report of the Board of Directors on the resolution proposed under points fifth and sixth on the Agenda relating to capital increases in a determinable amount pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently outstanding, charged to reserves, offering shareholders the possibility of selling the free-of-charge allocation rights to the Company itself or on the market. Delegation of powers to the Board of Directors or, by substitution, to the Delegate Committee or the CEO, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with article 297(1)(a) of the Companies Act. Application for admission of the newly issued shares to listing on the Madrid, Barcelona, Bilbao and Valencia stock exchanges, through the Automated Quotation System (Sistema de Interconexión Bursátil), as well as on any other stock exchanges or securities markets where the Company's shares are or could be listing.

This report is issued by the Board of Directors of Repsol, S.A. (the “Company” or “Repsol”) to justify the two proposals to increase the capital in the context of the shareholder remuneration program called “Repsol Flexible Dividend”, which will be submitted for approval under the fifth and sixth points of the Agenda, respectively, at the Ordinary General Shareholder’s Meeting called at 12:00 on 30 May 2019, on first call and at the same time on 31 May 2019, on second call.

This report is issued in compliance with Articles 286 and 296 of the Companies Act, by virtue of which the Board of Directors must issue a report justifying the proposals to be submitted to the General Shareholders’ Meeting, insofar as the approval of those resolutions and their implementation necessarily require a modification of Articles 5 and 6 of the Company’s By-Laws, on the capital and shares, respectively.

Since the two capital increases have the same purpose and are implemented identically, this report contains the justification of both proposals. In order to enable a clearer understanding of the operations behind the proposals to increase the capital submitted to the General Shareholders’ Meeting, shareholders are provided firstly with a description of the purpose of and grounds justifying those capital increases, and secondly with a description of the main terms and conditions of the capital increases against reserves contemplated in this report.

1 PURPOSE AND JUSTIFICATION OF THE PROPOSALS

1.1 Purpose and justification of the proposals

The Company has traditionally remunerated its shareholders through the payment of cash dividends and intends to maintain a policy that allows the shareholders, if they wish, to receive all of his compensation in cash.

With this approach, in order to improve shareholder remuneration structure and in keeping



with the latest trends in this matter among other companies in IBEX-35, in 2012 the Company first offered its shareholders an option (called “Repsol Flexible Dividend”) which, without affecting their right to receive the entire remuneration in cash if they so wished, gave them the possibility of receiving shares in the Company, with the tax benefits applicable to free-of-charge shares, as described below. This system was first implemented in the Company to replace it would have been the traditional payment of the final dividend for the year 2011 and was repeated to replace it would have been the traditional payment of the interim and final dividend for the years 2012, 2013, 2014, 2015, 2016, 2017 and the interim dividend for the year 2018. In view of the good response to this system by the shareholders, it is considered appropriate to offer the same opportunity this year.

Thus, the purpose of the capital increase proposals submitted to the Shareholders’ Meeting is to offer again all the Company’s shareholders the option, at their free choice, of receiving new free-of-charge shares in the Company, without altering the Company’s policy of remunerating its shareholders in cash, since they may opt, as an alternative, to receive an amount in cash by selling their scrip dividend rights to the Company (if they do not sell on the market), as explained herein below.

1.2 Structure of the operations and options available to shareholders

The two proposals laid before the General Shareholders’ Meeting under the fifth and sixth points of the Agenda contemplate offering the Company’s shareholders the option to receive, at their choice, either free-of-charge shares of the Company or remuneration in cash.

These offers are structured in two capital increases against reserves (each on an “**Increase**” or a “**Capital Increase**” and jointly the “**Capital Increases**”). However, although they both correspond to the purpose described in section 1.1 above, both could be executed simultaneously or independently on different dates and Repsol could even decide not to make one or both, in which case the corresponding Increase would have no effect pursuant to section 2.7 below.

When the Board of Directors or, by substitution, the Delegate Committee or the CEO decides to implement one of the Capital Increases:

- (a) The Company’s shareholders will receive a free-of-charge allocation right for each share in the Company that they hold at that time. These rights will be tradable so may be traded, on the same conditions as the shares in respect of which they are issued, on the Madrid, Barcelona, Bilbao and Valencia stock exchanges for a period of at least fifteen (15) calendar days, after which the free-of-charge allocation rights will automatically become new shares in the Company, which will be allocated to the holders of the free-of-charge allocation rights at that date. The specific number of shares to be issued and, therefore, the number of rights needed for the allocation of one new share will depend on the price of the Company’s share on the date of



implementation of the Capital Increase (the “Share Price”), calculated by the procedure described herein below. However, as will be explained later (i) the total number of shares to be issued in the first Capital Increase will be determined so that their market value calculated at the Share Price will be approximately 818 million euros; and (ii) the maximum number of shares to be issued in the Second Capital Increase will be determined so that their market value calculated at the Share Price will be the amount fix by the Board or, by substitution, the Delegate Committee or the CEO, with the limit established in section 1.4 below.

- (b) The Company will irrevocably undertake to purchase the aforesaid free-of-charge allocation rights at a fixed price from whom receive them free due to appear entitled in the accounting registers of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) on the corresponding date according to the clearing and settlement rules applicable (the “Purchase Commitment”). The Purchase Commitment will only cover the allocation rights received by the Company’s shareholders free of charge, not those purchased or otherwise acquired on the market or outside it. The fixed purchase price of the free-of-charge allocation rights will be calculated before trading of the rights commences, based on the Share Price (such that the price per right will be the result of dividing the Share Price by the number of rights needed to receive one new share, plus one). The Company thus guarantees that all shareholders will be able to monetize their free-of-charge allocation rights and thus receive the cash if they do not wish to receive new shares.

Therefore, when each Capital Increase is made, the Company’s shareholders may choose freely between the following options¹:

- (a) Not to sell their free-of-charge allocation rights. In this case, at the end of the trading period the shareholder will receive the corresponding number of new free-of-charge shares.
- (b) To sell all or part of their free-of-charge allocation rights to the Company under the Purchase Commitment at a guaranteed fixed price. Shareholders choosing this option would monetize their rights and receive a remuneration in cash dividend instead of shares.
- (c) To sell all or part of their free-of-charge allocation rights on the market. Shareholders choosing this option would also monetize their rights, although in this case they would not receive a guaranteed fixed price, as in option (b) above, but instead the

¹ The options available to holders of *American Depositary Shares* and, as the case may be, ordinary shares listed on different stock exchanges or securities markets of Madrid, Barcelona, Bilbao and Valencia may be subject to certain variations in respect of the options described here, due to the terms and conditions applicable to the programs in which those holders participate and the regulations of the stock markets on which those securities are traded.



consideration payable for the rights would depend on market conditions in general and the quotation price of those rights in particular.

The Company's shareholders may combine any or all of the alternatives mentioned in paragraphs (a) to (c) above. It should be noted in this regard that the alternatives receive different tax treatment.

The gross amount received by shareholders choosing options (a) and (b) will be equivalent, as the Share Price will be used to determine both the fixed price of the Purchase Commitment and the number of free-of-charge allocation rights needed for the allocation of one new share. In other words, the gross price received by a shareholder selling all his free-of-charge allocation rights to the Company under the Purchase Commitment will be approximately equal to the value of the new shares he will receive if he does not sell his rights, calculated at the market price of the Company's share at the date of the Capital Increase (i.e. the Share Price). However, the tax treatment of each alternative is different. The tax treatment of the sales contemplated in options (b) and (c) is also different (see section 2.6 below for a summary of the tax regime applicable to this operation in Spain).

1.3 Coordination with the traditional dividend

The Company plans to replace what would have been the traditional final dividend of 2018 and the interim dividend of 2019 with two issues of free-of-charge shares, although preserving its shareholders' right to receive a cash remuneration if they prefer.

1.4 Amount of the Alternative Option and price of the Purchase Commitment

The structure of the proposals consists of offering shareholders free-of-charge shares, the value of which, determined according to the Share Price, will be:

- (a) in the first Increase, a total of 818,410,731 euros gross; and
- (b) in the second Increase, the amount determined by the Board of Directors or, by substitution, the Delegate Committee or the CEO, with the limit of 916,437,632 euros gross.

Since, as mentioned earlier, the purpose of the Purchase Commitment is to enable shareholders to monetize the Amount of the Alternative Option of each Increase, and bearing in mind that shareholders will be assigned one free-of-charge allocation right for each outstanding share, the gross price per right at which the Purchase Commitment will be made in each Increase would be approximately equal, subject to the provisions of sections 2.1 and 2.3 below, to the amount per share of the Amount of the Alternative Option.

The final purchase price (and, in relation to the second Increase, the Amount of the Alternative



Option, if appropriate) will be determined and announced pursuant to section 2.3.

2 MAIN TERMS AND CONDITIONS OF THE CAPITAL INCREASE

2.1 Amount of each Capital Increase, number of shares to be issued and number of free-of-charge allocation rights needed for the allocation of one new share

The maximum number of shares to be issued in each Capital Increase will be the result of dividing the Amount of the Alternative Option of the corresponding Increase between the value of the Company's share when the Board of Directors or, by substitution, the Delegate Committee or the CEO, decides to implement each Capital Increase (i.e. the Share Price). The number thus calculated will be rounded off to obtain a whole number of shares and a rights-shares conversion rate, also in a whole number. In addition and for the same purpose, the Company will waive the free-of-charge allocation rights corresponding to it, for the sole purpose of ensuring that the number of new shares to be issued in each Capital Increase is a whole number and not a fraction.

To determine the number of shares to be issued, it will be considered only the outstanding free-of-charge allocation rights at the end of the trading period, excluding those that were sold to the Company under the Purchase Commitment at a guaranteed fixed price (alternative b).

When it is decided to implement a Capital Increase, the Board of Directors or, by substitution, the Delegate Committee or the CEO will determine the maximum number of shares to be issued in each Increase and, therefore, the maximum amount of the Capital Increase and the number of free-of-charge allocation rights need for the allocation of one new share by applying the following formula (rounding the result down to the nearest whole number):

$$MNNS = NES / \text{No. Rights per share}$$

where,

"MNNS" = Maximum number of New Shares to be issued in the Capital Increase;

"NES" = number of outstanding shares in the Company at the date on which the Board of Directors or, by substitution, the Delegate Committee or the CEO resolves to implement the Capital Increase; and

"No. Rights per share" = number of free-of-charge allocation rights required for the allocation of one New Share in the Capital Increase, which will be the result of applying the following formula, rounded up to the nearest whole number:

$$\text{No. Rights per Share} = NES / \text{Provisional no. shares}$$

where,



“Provisional no. shares” = Amount of the Alternative Option / Share Price

For this purpose, “Share Price” will be the arithmetic mean of the weighted average prices of the Company’s share on the Madrid, Barcelona, Bilbao and Valencia stock exchanges over the five (5) trading sessions prior to the date of the resolution adopted by the Board of Directors or, by substitution, the Delegate Committee or the CEO to implement the Capital Increase, rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro.

The final number of shares to be issued will be the ratio of the number of outstanding rights at the end of the negotiation period and the number of rights per share, and if this figure is not a whole number, the Company will waive the free-of-charge allocation rights necessary to do so.

Once determined the final number of shares to be issued, the amount of each Capital Increase will be the result of multiplying the number of the new shares by the par value of the Company’s shares -one euro per share (1 €) -. The Capital Increases will be made, therefore, at par, with no share premium.

Example of the calculation of the number of new shares to be issued, the amount of a Capital Increase and the number of free-of-charge allocation rights needed for the allocation of one new share:

For the sole purpose of helping shareholders to understand its application, a sample calculation is set out below using the formula contemplated in this section. The results of these calculations are not representative of the possible real results in the event of making the Capital Increases, which will depend on the different variables used in the formula (essentially the Share Price of the Company’s share at that time) and the rounding off to be made.

For the sole purpose of this example:

The Amount of the Alternative Option of the Increase to be made is 818,410,731 euros.

A Share Price of 15 euros is assumed.

The NES is 1,558,877,582 (number of Company shares at the date of this report).

Therefore:

Provisional no. shares = Amount of the Alternative Option / Share Price = $818,410,731 / 15 = 54,560,715.4$

No. Rights per share = NES / Provisional no. shares = $1,558,877,582 / 54,560,715.4 = 28.57 = 29$



(rounded up)

$MNNS = NES / \text{No. Rights per share} = 1,558,877,582 / 29 = 53,754,399$ (rounded down)

The free-of-charge allocation rights sold to the Company under the Purchase Commitment at a guaranteed fixed price (alternative b), are excluded from the computation of shares to be issued (NNS). In the example, if the Company had purchase 1,000,000,000 free-of-charge allocation rights, would be 558,877,582 of outstanding free-of-charge allocation rights at the end of the trading period. The calculation of the final number of new shares to be issued (NNS) would be:

$NNS = \text{Number of outstanding free-of-charge allocation rights} / \text{No. Rights per share} = 558,877,582 / 29 = 19,271,640$ (rounded down).

Consequently, in this example, (i) the final number of new shares to be issued in the Capital Increase would be 19,271,640, (ii) the amount of the Capital Increase would be 19,271,640 euros, and (iii) 29 free-of-charge allocation rights (or old shares) would be needed for the allocation of one new share in that Increase.

2.2 Free-of-charge allocation rights

In each Capital Increase each share of the Company in circulation will entitle its holder to one free-of-charge allocation right.

The number of free-of-charge allocation rights needed to receive one new share in each Capital Increase will be determined automatically according to the ratio of the number of new shares to the number of outstanding shares at that time, calculated using the formula established in section 2.1 above. In particular, shareholders will be entitled to receive one New Share for a number of free-of-charge allocation rights determined according to section 2.1 above, that they hold in the corresponding Increase.

If the number of free-of-charge allocation rights required for the allocation of one new share in the Capital Increase (29 in the example set out above) multiplied by the maximum number of new shares to be issued (MNNS) (53,754,399 in the example) is lower than the number of outstanding shares in the Company (NES) at the date of the execution of the Capital Increase (1,558,877,582 in the example), the Company will waive a number of free-of-charge allocation rights equal to the difference between the two figures (11 rights in the example) for the sole purpose of ensuring that the number of new shares is a whole number and not a fraction. In that case, there would be an incomplete allocation of the Capital Increase and the capital would be increased only by the amount corresponding to the free-of-charge allocation rights in respect of which no waiver has been made (for which the provisions of section 2.3 below must also be taken into consideration), pursuant to Article 311 of the Companies Act.



Free-of-charge allocation rights will be allocated to whom being entitled to receive them according to the accounting registers of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) on the corresponding date according to the clearing and settlement rules applicable. Such rights may be traded on the same conditions as the shares in respect of which they are granted and may be traded on the market for such time as may be determined by the Board of Directors or, by substitution, the Delegate Committee or the CEO, at least fifteen (15) calendar days. During that period, sufficient free-of-charge allocation rights may be acquired on the market in the necessary proportion to receive new shares.

The holders of any convertible debentures into Company shares that may be outstanding at the date on which the Board of Directors or, by substitution, the Delegate Committee or the CEO resolves to implement the Capital Increase will not have free-of-charge allocation right over the New Shares, notwithstanding the modifications to be made to the conversion rate by virtue of the terms of each issue.

2.3 Purchase Commitment of the free-of-charge allocation rights

As mentioned earlier, the Company irrevocably undertakes to purchase the free-of-charge allocation rights assigned in each Capital Increase (the “**Purchase Commitment**”), so those receiving free the free-of-charge allocation rights at the start of the trading period of those rights will have guaranteed the possibility of selling their rights to the Company and receiving, at their choice, all or part of their remuneration in cash. The Purchase Commitment will only cover the allocation rights received by the Company’s shareholders free of charge, not those purchased or otherwise acquired on the market or outside it, and will be in force and may be accepted during such time, within the trading period of the rights, as may be determined by the Board of Directors or, by substitution, the Delegate Committee or the CEO. The purchase price under the Purchase Commitment will be fixed, calculated prior to opening of the trading period for the free-of-charge allocation rights applying the following formula (applying the definitions set out in section 2.1 above), rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro (the “**Purchase Price**”): $\text{Purchase Price} = \text{Share Price} / (\text{No. Rights per share} + 1)$.

The final Purchase Price thus calculated will be determined and announced on the date of implementation of each Capital Increase.

The Company will foreseeably waive the new shares corresponding to the free-of-charge allocation rights acquired under the Purchase Commitment. In that case there would be an incomplete allocation of each Capital Increase and the capital would be increased only by the amount corresponding to the free-of-charge allocation rights in respect of which no waiver has been made, pursuant to Article 311 of the Companies Act.



2.4 Rights of the new shares

The new shares issued in each Capital Increase will be ordinary shares with a par value of one euro (1 €) each, of the same class and series as those currently in circulation, issued in book-entry form, the accounting register of which will be assigned to *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) and its members. The new shares will confer upon their holders the same voting and economic rights as the Company's ordinary shares currently in circulation as from the date on which the Capital Increase is declared subscribed and paid up.

The Capital Increases will be made free of charges and commissions for the allocation of new shares issued. The Company will bear the costs of issue, subscription, putting into circulation, listing and any others related with each Capital Increase.

Nevertheless, the Company's shareholders should bear in mind that the members of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) at which they have deposited their shares may, under prevailing laws, establish such administration charges and commissions as they may freely determine for the subscription of the new shares and the maintaining of the shares in the accounting registers. Moreover, these members may, under prevailing laws, establish such charges and commissions as they may freely determine for handling purchase and sale orders in respect of free-of-charge allocation rights.

2.5 Balance sheet and reserve against which the Capital Increases are made

The balance sheet on which the Capital Increases are based is the balance sheet for the year ended 31 December 2018, audited by PricewaterhouseCoopers Auditores, S.L, on 28 February 2019 and laid before the Ordinary General Shareholders' Meeting for approval under the first point of the Agenda.

The Capital Increases will be made against the reserves set forth in article 303.1 of the Spanish Companies Act. When making the Capital Increase, the Board of Directors or, by substitution, the Delegate Committee or the CEO, will specify the reserve or reserves to be used and the amount of those reserves according to the balance sheet used as the basis for the Capital Increases.

2.6 Taxation

General comments

The most important tax implications associated with a Capital Increase are set forth below. They are based on the tax regulations in force in the national territory and on the interpretation made by the Directorate General of Taxes through the reply to various binding



queries, and on the foreseeable assumption that the acquisition by the Company of the free-of-charge allocation rights as a result of the Purchase Commitment is made with a charge to voluntary reserves from undistributed profits.

Although the tax regime applicable to shareholders resident in Basque Country and Navarra, Ceuta and Melilla is similar to that of the common territory, certain differences may arise in the tax treatment (particularly for individual shareholders resident in certain territories, in connection with the sale of their free-of-charge allocation rights in the market).

Shareholders not resident in Spain, the holders of *American Depositary Shares* representing shares in the Company and the holders of Company shares listed on markets or stocks exchanges other than the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges should consult their tax advisers on the effects deriving from the different options for the Capital Increase, including the right to apply the provisions of double taxation treaties signed by Spain.

It should be borne in mind that the taxation of the different options for the Capital Increase set out herein does not cover all possible tax consequences nor future potential changes in the legislation that may affect the applicable taxation.

Consequently, shareholders are recommended to consult their tax advisers on the specific tax impact of the proposed operation and to pay attention to any changes or amendments that may be made in both the laws in place at the date of this operation and the interpretation criteria, as well as the specific circumstances of each shareholder or holder of free-of-charge allocation rights.

Specific comments

The new shares delivered in each Capital Increase will, for tax purposes, be considered bonus shares and, as such, will not be considered income for personal income tax (“**IRPF**”), corporate income tax (“**IS**”) or non-resident income tax (“**IRNR**”), regardless of whether or not the recipients of those shares operate through a permanent establishment in Spain. In line with the foregoing, the delivery of new shares is not subject to withholding tax or payment on account (advance tax).

The acquisition value of both the new shares and the shares in respect of which they are issued will be determined by dividing the total cost by the number of shares, both old shares and bonus shares. The bonus shares will be considered to have the same age as the shares in respect of which they are issued.

Consequently, in the event of a subsequent sale, the income obtained will be calculated with reference to this new value.

If shareholders sell their free-of-charge allocation rights on the market, and in the case of the



present program, the proceeds obtained from trading those rights on the market will be given the tax treatment described below:

- a) For personal income tax and income tax of non-residents with no permanent establishment in Spain, the proceeds obtained from the sale of free-of-charge allocation rights on the market will be given the same tax treatment as pre-emption subscription rights.

Consequently, the proceeds from selling the free-of-charge allocation on the market will be considered a capital gain for the seller who are IRPF (Personal Income Tax) taxpayers or IRNR (Non-Resident Income Tax) taxpayers without a permanent establishment in Spain. The capital gain shall be subject to IRPF (Personal Income Tax) withholding at the rate that is applicable at that time. This IRPF (Personal Income Tax) withholding shall be performed by the corresponding depository institution (and, in its absence, by the financial intermediary or the notary public involved in the transfer of these rights).

The above without prejudice to the possible application to non-resident taxpayers with no permanent establishment in Spain of the double taxation treaties signed by Spain to which they may be entitled as well as the exemptions foreseen by the IRNR legislation.

- b) For corporate income tax and income tax of non-residents with a permanent establishment in Spain, since a full commercial cycle is closed, it will be taxed according to the applicable accounting standards and, where appropriate, any special tax regimes applicable to the shareholders subject to the taxes indicated.

Finally, if holders of the free-of-charge allocation rights decide to take up the Repsol Purchase Commitment, the proceeds from sale to Repsol of such rights received as shareholders will be given the same tax treatment as a cash dividend and, therefore, they will be subject to withholding tax and the corresponding taxation.

2.7 Authorization to make each Capital Increase

Pursuant to Article 297.1.a) of the Companies Act, it is proposed authorizing the Board of Directors, with express power to delegate to the Delegate Committee or the CEO, to determine the date on which each capital increase resolution adopted by the Ordinary General Shareholders' Meeting is to be implemented and to establish the conditions of each Capital Increase in any aspects not stipulated by the Shareholders' Meeting, within a period not exceeding one year from the date on which the resolutions are adopted by the Shareholders' Meeting in respect of the Capital Increases.

This notwithstanding, if the Board of Directors, with express powers of substitution, does not consider it convenient to make any of the Capital Increases, it may submit a proposal to the Shareholders' Meeting for revocation, in which case it will not be obliged to make the Capital



Increase in question. In particular, the Board of Directors or, by substitution, the Delegate Committee or the CEO, will analyse and take account of the market conditions, circumstances of the Company and any deriving from a socially or economically important event or circumstance, as well as the level of acceptance of the first Capital Increase and, if in the opinion of the Board of Directors those or other considerations make it unadvisable to make the corresponding Increase, it may submit a proposal to the Shareholders' Meeting to revoke any of the Capital Increases. Moreover, the Capital Increases will have no effect if the Board of Directors or, by delegation, the Delegate Committee or the CEO, does not exercise the powers delegated to it within the period of one year indicated by the Shareholders' Meeting for making the Capital Increase, in which case it will report on that at the first Shareholders' Meeting held thereafter.

When the Board of Directors or, by substitution, the Delegate Committee or the CEO, decides to make Capital Increase, defining the final terms thereof in any aspects not already specified by the Shareholders' Meeting, the Company will publish those terms. In particular, prior to commencement of the period for free allocation of the corresponding Increase, the Company will publish a document containing information on the number and nature of the shares and the reasons for the Capital Increase, in pursuance of Article 26.1.e) of Royal Decree 1310/2005 of 4 November, partly developing Royal Legislative Decree 4/2015 of October 23, approving the revised text of the Securities Market Act.

After the end of the trading period for free-of-charge allocation rights in respect of each Capital Increase:

- (a) The new shares will be allocated to those shareholders who hold the free-of-charge allocation rights according to the registers kept by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (Iberclear) and its members in the necessary proportions.
- (b) The Board of Directors or, by substitution, the Delegate Committee or the CEO, will declare the free-of-charge allocation rights trading period close and will apply the reserves in the Company's accounts in the amount of the corresponding Capital Increase, which will be deemed paid up by that application.

Finally, the Board of Directors or, by substitution, the Delegate Committee or the CEO, will adopt the corresponding resolution to modify the By-Laws in order to reflect the new amount of the capital following each Capital Increase and apply for listing of the new shares.

2.8 Listing of the new shares

The Company will apply for listing of the new shares issued in each Capital Increase on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Automated Quotation System (*Sistema de Interconexión Bursátil*), as well as on any other stock exchanges or



securities markets where the Company's shares are or could be listing, expressly putting on record that the Company submits to existing or future laws and regulations governing the stock market, particularly regarding trading, minimum time frames and delisting.

Report of the Board of Directors on the resolution proposed under seventh point on the Agenda ("Approval of a reduction of share capital for an amount to be determined in accordance with the resolution, through the cancellation of the Company's own shares. Delegation of powers to the Board of Directors or, as its replacement, to the Delegate Committee or the Chief Executive Officer, to set the other terms for the reduction in relation to everything not determined by the General Meeting, including, among other matters, the powers to redraft articles 5 and 6 of the Company's Articles of Association, relating to share capital and shares respectively, and to request the delisting and cancellation of the accounting records of the shares that are being cancelled.")

1 OBJECT OF THE REPORT

This report was prepared by the Board of Directors of Repsol, S.A. (the "**Company**" or "**Repsol**") to justify the proposed reduction of share capital through the cancellation of treasury shares that will be submitted, under point seventh on the Agenda, for approval by the shareholders of the Company at the General Shareholders' Meeting, called for 30 May 2019 at 12 PM on first call and for 31 May 2019 at the same time on second call.

This report is issued in compliance with that established in articles 286 and 318 of the Spanish Companies Act (*Ley de Sociedades de Capital*), in accordance with which the Board of Directors must prepare a report justifying the proposal to be submitted to the shareholders at the Shareholders' Meeting to the extent that their approval and execution necessarily entail the amendment of articles 5 and 6 of the Company's Articles of Association, related to share capital and shares, respectively.

2 JUSTIFICATION OF THE PROPOSAL

Within the context of the shareholder remuneration policy, the Board of Directors considers that it is appropriate to reduce the share capital through the cancellation of treasury shares of the Company. The main effect of the aforementioned share capital reduction will be an increase in the Company's earnings-per-share, benefiting its shareholders.

In order to perform the aforementioned share capital reduction, treasury shares of the Company of €1 par value each are to be cancelled. At 27 March 2019 a portion of the aforementioned shares to be cancelled are treasury shares while the remaining shares to be cancelled will be acquired (a) through a share buy-back programme targeting all shareholders pursuant to article 5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the "**Regulation**") and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the criteria applicable to buy-back programmes and stabilisation measures (the "**Delegated Regulation**", the "**Buy-back Programme**" or the "**Programme**", respectively) and that must be approved by the Board of Directors, and, as the case may be, (b) through the settlement,

before the resolution to close and execute the share capital reduction object of the proposed resolution referred to in this report, of the derivatives instruments on own shares entered into by the Company prior to 27 March 2019 (the "**Derivatives**").

3 MAIN TERMS AND CONDITIONS OF THE SHARE CAPITAL REDUCTION

It is proposed that the share capital be reduced by the amount resulting from the sum of:

- (i) 1,026,119 euros, through the cancelling of 1,026,119 shares currently held in treasury stock, of one euro par value each, acquired pursuant to the authorisation granted by the shareholders at the General Shareholders' Meeting held on 11 May 2018 under agenda item eight, and within the limits provided in articles 146 and related and 509 of the Spanish Companies Act (the "**Existing Treasury Stock**"); and
- (ii) the aggregate par value, with the maximum indicated below, represented by the shares, of one euro par value each, that are acquired both through the Buy-back Programme and, as the case may be, the settlement of the Derivatives, prior to the resolution to close and execute the share capital reduction object of the proposed resolution referred to in this report.

The maximum number of shares of the Company that will be acquired through the Buy-back Programme and, as the case may be, the settlement of the Derivatives will be the product of applying the following formula (the "**Joint Limit**"):

$$\text{Joint Limit} = 31,481,529 + (\text{No. Shares Issued}) - 1,026,119$$

where,

"No. Shares Issued" = the number of new shares of the Company finally issued as a consequence of the execution of the Capital Increase to which the proposed agreement on point five of the Agenda of this Shareholders' Meeting.

The maximum number of Company shares that may be acquired through the settlement of the Derivatives may not exceed 65,573,200. These Derivatives will not be settled, under any circumstances, during the time the Buy-back Programme is taking place and, in all cases, must be settled prior to declaring the share capital reduction object of this proposed resolution closed and executed.

In turn, the Buy-back Programme will be subject to two quantitative limits relating to the investment amount and the number of shares to be acquired:



- (a) The maximum number of shares to be acquired pursuant to the Programme (the "**MNS**") will be that determined by the Board of Directors prior to the start of the Buy-back Programme and it will not under any circumstances exceed the Joint Limit.
- (b) The maximum net investment of the Programme (the "**Maximum Investment**") will be the amount in euros calculated using the following formula, rounded down to the nearest whole number:

$$\text{Maximum Investment} = \text{MNS} \times (\text{Quoted Price} \times 1.25)$$

where,

"Quote Price" = the quoted price of the Company's share on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia at the close of the trading session on the trading day prior to the date for the start of the Buy-Back Programme, rounded to the nearest hundredth of a euro, and in the case of half of one hundredth of a euro, up to the nearest hundredth of a euro.

Only the purchase price of the shares will be taken into account when calculating the amount of the Maximum Investment. Any expenses, fees or brokerages that, if applicable, could be passed on for the acquisition transactions will therefore not be included.

Consequently, the maximum amount of the capital reduction (the "**Capital Reduction**") will be the sum of the aggregate nominal value of the number of own shares with a nominal value of one euro each corresponding to the Existing Treasury Stock (that is to say 1,026,119 euros) and the aggregate nominal value of the maximum number of shares with a nominal value of one euro making up the Joint Limit.

If the shareholders at the General Meeting approve the proposed resolution object of this report, the definitive amount of the share capital reduction will be established by the Board of Directors or, by delegation, by the Delegate Committee and/or the CEO, based on the definitive number of shares that are acquired within the framework of the Buy-back Programme and, as the case may be, pursuant to the settlement of the Derivatives, provided that it does not exceed the aforementioned Joint Limit, and always adding the shares corresponding to the Existing Treasury Stock. Otherwise, and together with the shares corresponding to the Existing Treasury Stock, all of the shares acquired pursuant to the Buy-back Programme will be cancelled, as well as the number of shares acquired as a result of the settlement of the Derivatives resulting from the difference between the Joint Limit and the number of shares effectively acquired in the Buy-back Programme. In the latter case, the remaining shares acquired as a result of the settlement of the derivatives will not be subject to cancellation.



Example calculation of the maximum amount of shares to be cancelled in the Capital Reduction and of the amount of the Maximum Investment of the Buy-back Programme:

Solely to facilitate the understanding of its application, the following is a calculation example using the formulas included in this section. The results of these calculations do not represent those that may actually arise as a result of carrying out the Capital Reduction that will depend on several variables used in the formula and any possible rounding.

Merely for the purposes of this example:

The Existing Treasury Stock consist of 1,026,119 Company shares.

The No. Shares Issued is assumed to be 40,315,799.

Likewise, the Quoted Price is assumed to be 15 euros.

Joint Limit = 31,481,529 + (No. Shares Issued) – 1,026,119 = 31,481,529 + 40,315,799 – 1,026,119 = 70.771.209 shares

Maximum Investment (Buy-back Programme) = MNS x (Quoted Price x 1.25) = 70,771,209 x (15 x 1.25) = 1,326,960,168 euros (rounded down to the nearest whole number)

Consequently, in this example, (i) the Joint Limit will be 70,771,209 shares, (ii) the MNS will not exceed 70,771,209 shares and (iii) the Maximum Investment will amount to 1,326,960,168 euros.

Therefore, in this example, the maximum amount of the share capital reduction would be 71,797,328 shares of one euro par value each.

The main characteristics of the Buy-back Programme, without prejudice to the timely public disclosure of all of the related details, which will be provided once approved by the Board of Directors and, in any case, before beginning with the acquisitions, will be the following:

1. The Company will acquire, for their cancellation, own shares for an amount no higher than that resulting from applying the formula foreseen for the calculation of the Maximum Investment. Furthermore, under no circumstances will the number of shares purchased under the Buy-Back Programme exceed the Joint Limit.
2. The acquisition of the shares will be carried out based on the price and volume terms established in article 3 of Delegated Regulation.



3. The Board of Directors will establish the duration of the Buy-Back Programme, which will under no circumstances exceed one year. Notwithstanding the foregoing, the Company may terminate the Buy-Back Programme prior to the deadline established if its purpose has been fulfilled and, in particular, if prior to the end of the Buy-Back Programme the Company has acquired under it the maximum number of shares (MNS), or shares for an acquisition price that reflects the amount of the Maximum Investment of the Buy-Back Programme, or if any other circumstance exists making it either advisable or necessary.

The acquisition of the shares will be carried out pursuant to article 144 a) of the Spanish Companies Act (relating to the free buy-back of own shares) and in accordance with articles 338 to 342 of the same Act, to the extent that they are applicable, of article 12.2 of Royal Decree 1066/2007, of 27 July, of article 5 of Regulation, and Delegated Regulation, without it being necessary, therefore, to formulate a public takeover bid for the Company's shares acquired in the implementation of the Buy-Back Programme.

In addition, if the proposal is approved, articles 5 and 6 of the Company's Articles of Association will be amended in order to reflect the new share capital amount and the new number of outstanding shares after the treasury shares — the cancellation of which is proposed — are deducted.

Once the Buy-back Programme has finished, the Board of Directors, or the Delegate Committee or CEO, will determine the specific amount in which the capital will be reduced by adding the Existing Treasury Stock, the shares acquired pursuant to the Buy-Back Program and, as the case may be, the shares acquired through the settlement of the Derivatives, according to the terms established in the proposed agreement.

The Capital Reduction will not entail the return of contributions to the shareholders, given that, at the time of the reduction, the Company will be the owner of the shares to be cancelled. For the purpose of that set forth in article 335 of the Spanish Companies Act, the capital reduction will be made with a charge to free reserves by setting up a reserve for an amount equal to the par value of the cancelled shares, which may only be used if the same requirements as those for the reduction of capital are met, pursuant to article 335.c) of the Spanish Companies Act. Consequently, in accordance with the aforementioned law, creditors will not have the right of opposition referred to in article 334.

Furthermore, it is proposed that the shareholders at the Shareholders' Meeting authorise the Board of Directors to execute the resolution to reduce the share capital (with express authorisation to delegate to the Delegate Committee and/or the CEO pursuant to article 249 bis. 1) of the Spanish Companies Act), within one month of the (early or schedule) completion of the Buy-back Programme and, in any event, within one year of the date on which the proposed resolution object of this report is adopted. This will allow the Board of Directors to decide, within a reasonable period, the most appropriate time to proceed with executing the



share capital reduction based on the situation of the market and the Company, as well as other factors, internal and external, that may be relevant.

Likewise, it is proposed that the Board be authorised to determine the matters that have not been expressly established in this proposed resolution or that arise as a result hereof and to carry out the actions and execute the public or private instruments necessary or appropriate for the most comprehensive execution of the share capital reduction. Specifically, it is proposed that the Board of Directors be authorised to carry out the procedures and actions necessary so that, once the share capital resolution is executed, the cancelled shares are delisted from the Madrid, Barcelona, Bilbao and Valencia stock exchanges, through the Stock Exchange Interconnection System (Continuous Market) and the corresponding accounting records are derecognised; and be authorised to request and carry out all procedures and actions necessary so that the cancelled shares are delisted from any other stock exchanges or securities markets where the Company's shares are traded or may be traded, in accordance with the procedures established in each of these stock exchanges or securities markets, and the corresponding accounting records are derecognised.

Lastly, it is proposed that the Board of Directors be in turn expressly authorised to delegate (with the power of substitution, where appropriate) to the Delegate Committee and/or the CEO, pursuant to article 249 bis.1) of the Spanish Companies Act, all the delegable powers referred to in the proposed resolution object of this report.

Report of the Board of Directors on the resolution proposal related to point eight on the Agenda ("Delegation to the Board of Directors of the power to issue fixed income securities, debt instruments, promissory notes, hybrid instruments and preference shares in any manner permitted by Law, simple or exchangeable for issued shares or other pre-existing securities of other entities, and to guarantee the issue of securities by companies within the Group, leaving without effect, in the portion not used, the twenty second resolution (first section) of the Annual General Shareholders' Meeting held on April 30, 2015.")

This report aims to justify the proposal submitted to the General Shareholders' Meeting, on the point eight on the Agenda, for granting the Board of Directors, with express power to delegate the delegated powers, to issue, on one or several occasions, debentures, bonds, promissory notes and any other fixed income securities or debt instrument of analogous nature, hybrid instruments and preference shares, under this or any other name, simple or exchangeable for issued shares or other existing securities of other entities (the "Securities"). The delegation is also extended to establish and/or renew continuous or open-ended programs of Securities.

The Board of Directors considers highly convenient to have the delegated powers permitted by the current legislation, in order to be in a position to obtain from the securities primary markets the necessary funds for an appropriate management of the corporate interests. From this point, the purpose of the proposed delegation is to provide the management body of the Company with the movement and response capacity required by the competitive environment in which the Company is involved, where the success of a strategic initiative or financial transaction frequently depends on the possibility to carry it out quickly and without the delays and costs of holding a General Shareholders' Meeting. This flexibility and agility is especially desirable in the current financial uncertainty economic, make it advisable for the Company's Board of Directors to have the necessary means to have recourse, at any time, to the different sources of financing available, in order to obtain the most advantageous financial terms.

With this aim in mind, and in order to give more flexibility to the authorization granted, in similar terms, by the General Shareholders' Meeting held on April 30, 2015 for the issue of certain fixed income securities, it is submitted to the General Shareholders' Meeting the approval of the resolution proposed on point eight of the Agenda, in accordance with Article 319 of the Mercantile Register Regulations and applicable provisions.

The proposal contains a quantitative limit for the issues that is (i) broad enough to permit the required fundraising in the capital market so as, in the implementation of the financing policy of the Company and its Group, to enable it to cover the financing requirements of the ordinary course of its business and those contemplated in its Strategic Plan and to undertake such other investments as may be deemed appropriate for the Company or, in the case, refinance a part of the Company's debt; and (ii) only one for all the Securities comprised in the authorization so as to provide the Board with the largest flexibility in consideration of the trends, situation and evolution of the financial markets.



Apart from this, and taking into consideration that, in certain circumstances, especially in the international markets, it could be convenient to obtain the funds in the market through subsidiaries and, in such case, the success of the operation could require the support and guarantee of the Company, the Board of Directors applies for the General Shareholders' Meeting express authorization, within the same period of five years, to guarantee any and all the obligations assumed by subsidiaries in relation with their issues made to obtain financing for the Group.

The proposal is completed with the application for the listing on any secondary market or trading venue, organized or not, official or un-official, domestic or abroad, of the Securities issued by virtue this authorization, empowering the Board of Directors to carrying out the corresponding procedures for such purpose and with the express power to delegate (with the power of delegation, where appropriate) on the Delegate Committee and/or the Chief Executive Officer all powers conferred to the Board of Directors.

Finally, the proposal includes leaving without effect, in the portion not used, the first section of the twenty second resolution of the General Shareholders' Meeting held on April 30, 2015, for the identity in the regulated subject. Notwithstanding the above, such revocation will not affect the validity of the open-ended programs in force as of the date of the Shareholders' Meeting and approved under such authorization, as well as the related guarantees granted by the Company; in any case, any issue of Securities made in the future under such programs shall be considered and counted within the quantitative limit referred in the First section of the proposal of resolution.



Report of the Board of Directors on the resolution proposed under point ninth on the Agenda (“Determination of the number of members of the Board of Directors in fifteen”)

By virtue of what is established in article 242 of the Companies Act, the General Shareholders' Meeting is proposed to set the number of members of the Board of Directors in fifteen (15), within the maximum and minimum limit established in the article 31 of the Bylaws.

Report of the Board of Directors on the resolution proposals related to points tenth, eleventh, twelfth, thirteenth, fourteenth, fifteenth and sixteenth on the Agenda, regarding the re-election of Mr. Antonio Brufau Niubó, Mr. Josu Jon Imaz San Miguel, Mr. José Manuel Loureda Mantiñán and Mr. John Robinson West as Directors and the ratification and re-election of Mr. Henri Philippe Reichstul as Director, as well as those relating to the appointment of Ms. Aránzazu Estefanía Larrañaga and Ms. María Teresa Garcia-Milà Lloveras as Directors.

a) Object of the Report

This report has been prepared by the Board of Directors pursuant to section 529 *decies* of the Spanish Companies Act (*Ley de Sociedades de Capital*) to justify the proposed re-election of Mr. Antonio Brufau Niubó, Mr. Josu Jon Imaz San Miguel, Mr. José Manuel Loureda Mantiñán and Mr. John Robinson West as Directors, the proposed ratification of the co-opted nomination and re-election of Mr. Henri Philippe Reichstul as a Director and the proposed appointment of Ms. Aránzazu Estefanía Larrañaga and Ms. María Teresa Garcia-Milà Lloveras as Directors, all of them for a term of four years, evaluating for these purposes the skills, experience and merits of the candidates proposed for nomination, ratification and/or re-election to the Board for proposal to the General Meeting.

In light of the reports and proposals by the Nominations Committee during its meeting held on 27 March 2019, the full terms of which the Board of Directors adopts, the Board of Directors considers that Mrs. Brufau, Imaz, Loureda, West, Reichstul and Ms. Estefanía and Ms. Garcia-Milà have the ideal skills, expertise and merits to carry out the offices of Director for which they have been proposed and that their extensive experience in sectors of relevance to the Company and the Group and the wide knowledge of different commercial fields ensures contribution of a wide-ranging viewpoint in the matters to be debated by the Board of Directors. The above-mentioned reports and proposals of the Nomination Committee are attached as an **Appendix** to this report of the Board of Directors, the entire content of which has been fully adopted by the Board of Directors as previously indicated.

In accordance with section 529 *duodecies* of the Spanish Companies Act, Article 32 of the Bylaws and section 3 of the regulations of the Board of Directors:

- Mr. Antonio Brufau Niubó is a “*Non-Executive Director*”.
- Mr. Josu Jon Imaz San Miguel is an “*Executive Director*”.
- Mr. Jose Manuel Loureda Mantiñán is an “*External Proprietary Director*”.
- Mr. John Robinson West is an “*Independent External Director*”.
- Mr. Henri Philippe Reichstul is a “*Non-Executive Director*”.
- Ms. Aránzazu Estefanía Larrañaga is an “*Independent External Director*”
- Ms. María Teresa Garcia-Milà Lloveras is an “*Independent External Director*”



The Board of Directors considers that the above candidates will contribute to ensure diversity of knowledge, experience, origins, nationalities and gender necessary for the Board to better carry out its functions, consolidating the majority of Independent Directors on the Board (53.33%), increasing the presence of women to 33.33% –thus exceeding the Company’s target of 30% for 2020– and also maintaining the same percentage of international Directors at 27%.

b) Separation of functions of the Chairman of the Board and the Chief Executive Officer

In April 2014, the Board of Directors of the Company started a programme for the ordered and planned transfer of executive functions, which included the appointment of Josu Jon Imaz as Chief Executive Officer (CEO). During a transitional period, established to ensure the stability of the Company and the success of the permanent consolidation of the new model for the separation of functions, the Chairman of the Board maintained certain executive functions. On April 2015, the process was culminated when the Board of Directors resolved to assign all the executive functions to the CEO. Since that time, Mr. Brufau has occupied the office of Non-Executive Chairman of the Board.

Over these years, the model of separation of functions between Mr. Brufau and Mr. Imaz has been consolidated, during which it has proven to be an effective and successful system for the Company that has obtained excellent results in a complex environment. It has allowed the Company to draw from the major contribution and experience of both parties, with numerous Directors highlighting the excellent working relationship and teamwork between the two in the evaluation processes carried out by the Board of Directors.

Also of note is the effective functioning of the balancing system employed by the Board of Directors to ensure effective separation of functions. Apart from the separation of the offices of the Chairman of the Board and the CEO of the Company, the Board of Directors consists of a majority of External Independent Directors (53.33%). Furthermore, the main Committees with the functions of providing advice and proposals —the Audit and Control Committee, the Nomination Committee, the Remuneration Committee and the Sustainability Committee— are chaired by Independent Directors and composed exclusively of Non-Executive Directors, with a majority of External Independent Directors in the case of the first three Committees and the totality of its members in the case of the Audit and Control Committee. Furthermore, it is meeting on 27 March 2019 the Board of Directors appointed Mariano Marzo Carpio as Lead Independent Director, who according to the Board Regulations is assigned, among other functions, the role of chairing the Board of Directors in the absence of the Chairman and the Vice-Chairman; voicing the opinions of the External Directors; maintaining contacts with investors and shareholders to determine their viewpoint in order to form an opinion regarding their concerns, particularly in relation to the corporate governance of the Company; and coordinate the succession plan of the Chairman of the Board.

In addition, the Board of Directors is characterized by its diverse and balanced composition, with members of different nationalities and international experience and a percentage of



women –that with the proposed appointment of Ms. Aránzazu Estefanía Larrañaga and Ms. María Teresa Garcia-Milà Lloveras– will increase to 33,33% and is also backed up by the solid first-hand professional experience of all its members, and their varied and highly relevant knowledge of the Company’s activities, not to mention their wide experience of other administrative bodies of major entities.

The Board of Directors considers that the current governance structure of the Company with Mr. Brufau as Chairman of the Board and Mr. Imaz as the CEO effectively ensures due separation of the functions of supervision and management and represents a continuation of the path of success and excellence necessary to achieve the Strategic Plan 2016-2020, which was updated in June 2018 following the early achievement of its main objectives. It also considers that the skills, capacities and experience of both Mr. Brufau and Mr. Imaz are ideal to spearhead the current strategy of the Repsol Group, taking into account among other relevant factors, the challenges posed by energy transition, the process of digital transformation and the macroeconomic environment of the territories where the Group operates.

The effectiveness of the current governance structure of the Company has also been validated by the shareholders, that have approved the management of the Board of Directors with an immense majority in the latest General Shareholders Meetings, with the favourable vote of 96.81% (2018), 99.61% (2017), 98.91% (2016) and 97.29% (2015).



Appendix

Reports and proposals of the Nomination Committee of Repsol S.A. relating to the re-election, ratification and appointment of Directors to be submitted for approval at the next Ordinary General Meeting.

These Reports and proposals (in the case of the Independent Directors) have been prepared by the Nomination Committee of the Board of Directors of Repsol, S.A. (“**Repsol**” or “**the Company**”) pursuant to section 529 *decies* of the Companies Act and sections 12, 15 and 35 of the Board Regulations.

In accordance with the above-mentioned sections of the Companies Act and the Board Regulations, the proposals for re-election of Mr. Antonio Brufau Niubó as *Non-Executive Director*, Mr. Josu Jon Imaz San Miguel as *Executive Director* and Mr. José Manuel Loureda Mantiñán as *External Proprietary Director*, and the proposed ratification of the co-opted nomination and re-election of Mr. Henri Philippe Reichstul as *Non-Executive Director*, will be submitted to the General Meeting of Shareholders, following a prior report of the Nomination Committee.

The proposals by the Board of Directors for re-election of Robinson West as *Independent External Director*, and the proposed appointment of Ms. Aranzazu Estefanía Larrañaga and Ms. María Teresa Garcia-Milà Lloveras as *Independent External Directors* will be submitted to the General Meeting of Shareholders at the proposal of the Nomination Committee.

Set out below are the most relevant details of each of the Directors whose appointment, ratification and/or re-election is to be proposed to the General Meeting of Shareholders:

1) Antonio Brufau Niubó **Chairman of the Board**

a) Profile and professional experience

Antonio Brufau has a Degree in Economics from the University of Barcelona and was named Doctor Honoris Causa by the Ramon Llull University. He began his professional career at Arthur Andersen, where he eventually became Audit Managing Partner. In 1988 he joined La Caixa as Assistant General Manager. He was also General Manager of the La Caixa Group between 1999 and 2004, and between 1997 and 2004 he served as the Chairman of Gas Natural SDG, S.A. (currently Naturgy).

Apart from his role as Chairman of Gas Natural SDG, Mr. Brufau has also been a Board member of other major companies such as Abertis, Aguas de Barcelona, Banco Herrero, Caixa Holding, Enagás, Inmobiliaria Colonial, Port Aventura, Suez, CaixaBank France and CaixaBank Andorra.



Antonio Brufau's ties to Repsol date back to 1996, when he joined the Board of Directors. He was appointed Chairman of the Board in October 2004. His extensive experience in the business world and his expertise in the energy sector have enabled him during his previous period as Executive Director to lead the Company's transformation process towards a more global and integrated model.

Apart from Repsol itself, he is also Chairman of the Board of the Repsol Foundation. He is also a member of the Board of Corporate Action of CEOE, the Spanish Association of Executives of the Economics Society, Honorary Chairman of the Inter-Institutional Consortium GLOBALleida and a member of the Boards of the Aspen Institute Spain, the Ildefons Cerdà Institute Private Foundation, the CEDE Foundation (Spanish Confederation of Directors and Executives), Real Instituto Elcano, FUNSEAM (FOUNDATION FOR ENERGY AND ENVIRONMENTAL SUSTAINABILITY), COTEC (Foundation for Technological Innovation) and the Princesa de Girona Foundation. Up until December 2005, he was the only Spanish member of the Executive Committee of the International Chamber of Commerce (ICC). In July 2002 he was appointed chairman of the Círculo de Economía de Barcelona, holding office until July 2005.

Mr. Brufau was initially appointed as a Director of Repsol by the Board resolution of July 23, 1996, which was subsequently ratified by the Shareholders at their General Meeting held on June 6, 1997. He was re-elected by the General Meeting on March 24, 1999, April 4, 2003, May 9, 2007, April 15, 2011 and April 30, 2015.

b) Main functions

Mr. Brufau is the person ultimately responsible for the effective functioning of the Board of Directors of Repsol and as the Chairman of the Board has been specifically assigned the following functions:

- To convene and chair Board and the Delegate Committee meetings, determining the agenda and managing the discussions and deliberations in order to ensure that there is enough time to discuss all matters on the agenda and fostering active participation by the Directors at meetings taking into account their skills, experience, knowledge and where applicable, independence;
- To ensure that the Board has effective decision-making processes, particularly in relation to proposals of major importance;
- To ensure that the Board of Directors receive appropriate and accurate information in advance in order to consider the matters on the agenda;
- To ensure that the Committees of the Board are adequately structured and have the appropriate rules of functioning;



- To perform regular review and reach agreement with each Director regarding their training and development needs;
- To ensure that the actions of the Board and its Committees are evaluated at least once a year and to take action in light of the results of that evaluation;
- To maintain good relations with the Executive Director, providing support where appropriate and informing the Board of Directors of his activity and tasks.
- To chair the General Meeting of Shareholders in accordance with the applicable regulations.

In addition, Mr. Brufau is the highest institutional representative of the Company, responsible for supervision of the communication strategy and institutional relationships, as well as being the Chairman of the Repsol Foundation.

In this respect, it should be highlighted that during his term of office as Non-Executive Chairman, Mr. Brufau has carried out a highly active institutional work and representation of the Company at both a national and international level. It should be taken into account that the energy sector is currently in the midst of a deep reflection and transformation process regarding its future and the institutional representation by Mr. Brufau is especially effective to communicate the vision Repsol has regarding the future of the energy sector, its regulation, its sustainability and its perspectives to leaders, authorities, opinion leaders and the society in general. This aspect has become especially relevant in Spain in recent months due to the increasing demand for active participation by Mr. Brufau in the current debate regarding regulation the energy sector, as will be described further below.

Institutional representation by the Chairman of the Board in the international sphere

Mr. Brufau is a key aspect of the good relationship Repsol maintains with the leaders of the different countries where the Company is present, due to the confidence, prestige and high standing he has earned since his appointment among the authorities of the governments of the different countries the Company has dealings with.

In this regard, in recent years, Mr. Brufau has travelled extensively to numerous countries such as Australia, Bolivia, Brazil, China, Colombia, the United States, Guatemala, Mexico, Peru, Portugal, the United Kingdom, Russia, Singapore and Turkey, where he has maintained direct contact with the main authorities. This activity contributes to facilitate a climate of understanding and common areas for discussion.

As well as representing Repsol in a number of different spheres—thereby facilitating the Company's international activities—, the Chairman of the Board has also form part of different



business missions, accompanying H.M. The King of Spain, the President of Spain and Ministers linked with the activities of Repsol. Highlights in this respect include the different high-level meetings recently held in Washington, Brazil, Peru and Russia. Mr. Brufau also recently participated in the debate regarding Sustainability during the Iberoamerican Summit held in Guatemala in November 2018, which was attended by H.M. The King, the Present of Spain and the Minister of Foreign Affairs and International Cooperation, along with the highest officials of the region, including the Presidents of the different nations attending the Summit.

In the multilateral sphere, Mr. Brufau is in high demand from different organizations such as the World Petroleum Council, Gastech and the B20. For his experience and knowledge in the sector, these organizations incorporate Mr. Brufau's opinions regarding the matters they consider. He has participated on numerous occasions at these forums, with highly relevant intervention such as the inauguration of Gastech —the World Natural Gas Congress held in September 2018 in Barcelona with the presence of H.M. The King. Mr. Brufau has made equally important contributions to Energy, Commerce, International Investment and Employment and Diversity work groups of the B20 (*"Business 20"*), a business forum developed in parallel to the G20 whereby the business sector drafts a series of recommendations there are facilitated to the member states of the G20 for incorporation in their action path. He has participated at this latter event since the summit in South Korea in 2010, attending all the subsequent editions in France, Mexico, Turkey, Australia and Germany.

Another of the Chairman's most outstanding activities in the field of institutional representation is his active involvement in the relationship with European institutions. Mr. Brufau has interacted periodically and held meetings with senior officials of the European Union, including the Energy and Climate Commissioner, the Industry Commissioner, the Vice Chairman of the European Committee for Employment, Growth, Investment and members of the European Parliament and the permanent delegation of Spain and other member states.

For the last four years, Mr. Brufau there has also promoted and organised the annual conference *"Energy for Europe"* (also known as *"Repsol's Day"*) in Brussels, which addresses current issues of major relevance in the energy sector and acts as a forum for interchange of opinions and information with members of the European Commission and the European Parliament along with the representatives of the different member states of European institutions. For example, during the fourth and most recent edition of *"Repsol Day"* in 2018, the Chairman defended before Europe institutions the need to promote technological efforts with a neutral focus to achieve a competitive and sustainable energy and industrial sector, the transformation from power generation using fossil fuels to gues in the framework of energy transition and incentives for technologies devoted to capture and use of carbon.

In addition, Mr. Brufau is in regular contact with diplomatic representatives in Spain of the countries where Repsol is present and personally meets requests for the institutional presence of our Company at the different events organized.



Institutional representation of the Chairman of the Board at a national level

Mr. Brufau regularly participates in meetings and gatherings with H.M. the King, authorities of the central government and the different autonomous and local governments, along with the different political and business leaders of Spain.

In addition, and as indicated above, the debate regarding the future of the energy sector has recently intensified considerably in Spain, with initiatives that aim to outline the future of the sector and the evolution of technologies with involvement by Repsol, such as liquid fuels, electric mobility and renewable energies. In light of this, Mr. Brufau has recently participated in numerous public events to provide the necessary technical rigor in this debate, including his recent participation in the 14th Energy Meeting of the IESE, the Sustainable Mobility Conference in Bilbao enters traditional participation in the International Forum of the Foundation for Energy and Environmental Sustainability (FUNSEAM). At all these events, Mr. Brufau has defended the regulatory principle of technological neutrality and expressed his rejection of the prohibition of certain technologies in the mobility sector.

Mr. Brufau regularly contributes to the debate regarding energy transition, the regulatory environment and in general the future of the energy sector, along with other fields in which he is an expert —such as macroeconomy, business management and the application of innovation and technology to the challenges faced by society—, through articles for numerous media sources.

Mr. Brufau acts as the institutional representative of the Company in various other national forums and organizations mentioned above. In this respect, he is a member of the management boards of different institutions, including the following:

- Member of the Board of the Elcano Royal Institute, which is chaired by H.M. the King. The Elcano Royal Institute of International and Strategic Studies is a think-tank that aims to analyse international politics from a Spanish, European and global perspective, as well as serving as a forum for dialogue and debate.
- Member of the Board of the COTEC Foundation for innovation, which is chaired by H.M. the King and attended by the Founding Chairman H.M. King Juan Carlos. The COTEC Foundation for innovation promotes innovation is the motor for economic and social development.
- Member of the Board of the Carolina Foundation, the Honorary Chairman of which is H.M. the King and the Executive Chairman is the President of the Spanish Government. The object of the Carolina Foundation is to promote cultural relations and educational and scientific cooperation between Spain and the countries of Latin America, together with other countries with special historical, cultural or geographic ties.



- Member of the Board of the Spain–United States Advisory Foundation, the Spain–Brazil Advisory Foundation and the Spain–Peru Advisory Foundation, institutions forming part of the network of Advisory Foundations promoted by the Spanish Ministry of Foreign Affairs, European Union and Cooperation with the aim of fostering understanding and cooperation between Spain and the above countries in commercial, business, scientific, technological and cultural fields and to improve mutual knowledge and the reciprocal image of society.
- Member of the Board of the Foundation for Energy and Environmental Sustainability (FUNSEAM), which constitutes a forum for debate, analysis and consultation for the definition of a new sustainable energy model.
- Honorary Vice Chairman of the Spanish Club of Energy (Enerclub), the principal objective of which is to contribute to a better understanding of different energy-related matters through figures of society at a national and international level. Mr. Brufau was Chairman of Enerclub from 2008 to 2010.

Mr. Brufau also holds periodic gatherings and meetings with minority shareholders of the Company.

He has shown his commitment to sponsoring activities of the Company and he is specially tied to successful partnership with Honda during the World MotoGP championships, regularly attending to events and competitions of great importance.

Finally, as the Chairman of the Repsol Foundation, Mr. Brufau has started up various initiatives in the energy, social, cultural, technological and entrepreneurial fields. Highlights among these include the Entrepreneurs Fund, a business nursery that supports the budding talent of innovative *start-ups* in the field of energy and advanced mobility.

c) Result of annual evaluations

Mr. Brufau's performance as Chairman of the Board is evaluated by the Board annually and at least every three years, with the collaboration of an external adviser of renowned prestige. In 2017, the evaluation was performed with consultation by KPMG. The Chairman achieved a score of 4.8 out of 5, with the Directors highlighting his excellent efforts as a bridge between the management team and the Board, his outstanding dynamics with the CEO, his flexibility and energy when promoting open debate with full participation at meetings of the Board and his alignment with the Company and the interests of shareholders. In general, the Directors in their evaluations viewed very positively the climate of open dialogue and the quality of the debate at the meetings, the reporting of the committees, the quality of information placed at their disposal, the strategic discussions and the interaction with the managerial team.



d) Complementary information

In relation to his proposed re-election as Director for a further term of four years, the Chairman of the Board has communicated his intention that this will be his final term of office and that his office will end on the termination of this new mandate.

To this end, the Board of Directors will shortly formalize a succession plan for the Chairman of the Board with the aim of assuring that his eventual substitution will take place in an ordered and well-planned manner.

Mr. Brufau is the physical person with the highest number of shares of the Company (531,163 direct and indirect shares), with a value representing more than three times its annual return, which is the best reflection of his degree of alignment with the long-term interests of the Company and its shareholders.

Mr. Brufau has attended all the Board and Delegate Committee meetings during 2018.

e) Conclusion and Report of the Nomination Committee

The Nomination Committee considers that Mr. Brufau has the ideal combination of skills, expertise and commitment necessary to continue to manage his important supervisory functions: on the one hand, he offers profound knowledge of the sector and the Company itself and on the other hand, his previous experience as Chief Executive Officer, Director and Chairman of the Board of other relevant companies grants him a perfect understanding of the dynamics of the functioning of the Board of Directors and the most appropriate organization of its interrelation with the management team, ensuring adequate balance between its control and supervision and respect for the actual functions of the Board of Directors itself. In this latter sense, special mention should be made of the very positive opinion regarding the performance of the Chairman by the Board of Directors in their evaluation of his functioning.

In light of all of the above, it is considered that the essential values offered by Mr. Brufau make him the ideal person for re-election as Director for the statutory period of four years and his subsequent continuity as Chairman of the Board.

As regards the category of his office, this Committee considers that Mr. Brufau, in accordance with section 529 *duodecies* of the Companies Act and section 3 of the Board Regulations, should currently be granted the office of *Non-Executive Director*.



2) Josu Jon Imaz San Miguel
Chief Executive Officer

a) Profile and professional experience

Holder of a Doctorate in Chemical Sciences from the University of the Basque Country, Josu Jon Imaz San Miguel graduated from the School of Chemical Sciences in San Sebastián and received the award of excellence upon completion of his degree.

Mr. Imaz was appointed as Chief Executive Officer of Repsol in April 2014. Ever since, he has led the Company's transformation process, which has established itself today as one of the leading companies in the oil and gas sector. Improving efficiency and asset portfolio management are the core pillars of the strategy driven by the CEO, aiming to turn Repsol into a leaner and more competitive company that is capable of making the most of its integrated business model in terms of performance.

Mr. Imaz joined Repsol in 2008 as the chairman of its subsidiary Petronor, where he successfully managed the challenges of modernisation, sustainability and stakeholder relations. In 2010, he added the position of Director of New Energies to his duties. He joined Repsol's Steering Committee in 2012 and was named General Director of the Industrial and New Energies Division, where his responsibilities included coordinating the work of all of the industrial complexes. He was also Vice Chairman of Gas Natural SDG, S.A (Naturgy) from September 2016 through to February 2018.

Before joining Repsol, Mr. Imaz carried out significant work in the area of research (INASMET Research Centre and French technology centre CETIM in Nantes). He also worked promoting industrial projects (Mondragón Group) and other business projects linked to the energy sector. He was also a visiting researcher at the Harvard Kennedy School in the United States.

In addition to his entrepreneurial activity, Mr. Imaz has also had a brilliant political career, including terms at the Ministry of Industry, Trade and Tourism of the Basque Government in 1999 and the Presidency of the Basque Nationalist Party (EAJ-PNV) from 2004 to 2007.

Acting within the scope of his professional capacity, and in addition to his responsibilities for the Repsol Group, Mr. Imaz was Chairman of the Spanish Association of Oil Product Operators (Asociación Española de Operadores de Productos Petrolíferos, AOP) from November 2011 through to September 2014.

Mr. Imaz was appointed Chief Executive Officer of Repsol by the Board resolution of 30 April, 2014. His appointment was subsequently ratified by the Shareholders at their General Meeting held on 30 April, 2015.



b) Main achievements

During his mandate, Mr. Imaz has led the Company's transformation process, preparing it to face the challenges of the future with considerable strength built on the solid foundation of efficiency and profitability. Repsol has established itself as one of the leading companies in the oil and gas sector, with a strategy based on improving efficiency and asset portfolio management, resulting in a leaner and more competitive company that is capable of making the most of its integrated business model in terms of performance and that is constantly advancing with its energy transition process to become a multi-energy company and a global supplier capable of providing its customers with the energy and services they need in a safe, competitive and sustainable manner.

Under Mr. Imaz's leadership and in the challenging price environment of the period from 2015 to 2017, Repsol achieved the targets proposed in the Strategic Plan 2016-2020 two years ahead of schedule, prompting the Company to update its strategy in June 2018.

The following are some of the major milestones achieved by the Company under Mr. Imaz's leadership:

- In the Upstream segment, Repsol has more than doubled its size, successfully integrating Talisman. It has also started up various projects on time and within budget (Sagari in Peru, Reganne in Algeria, Kinabalu in Southeast Asia, Junniper in Trinidad & Tobago and others) that have allowed the Company to reach an average production in 2018 of 715,000 barrels of oil equivalent per day.
- In terms of its Downstream business, Repsol has evolve significantly entering into new business, mobility and low-carbon business areas, establishing itself as a leader for various products and technologies in the chemical business and converting it into one of the best prepared companies for the new regulatory scenario of the IMO regarding fuel specifications for maritime transport. This has been achieved due to the preparation of our facilities and improvement of the Company margins due to efficiency initiatives (which have led to a reduction of energy costs and CO2 emissions).
- There has been a drastic reduction in corporate costs, which at the close of 2018 were lower than the costs prior to the acquisition of Talisman. Mr. Imaz has boosted the efficiency of corporate areas, working to ensure they act as a lever to foster business growth.
- The Efficiency and Synergies Programme was started up under the Strategic Plan 2016-2020, which has exceeded the ambitious targets set ahead of time (savings of €2.1 billion in 2020). As a consequence of these measures, the Upstream has been able to reduce its free cash flow breakeven below \$50 per barrel and Repsol has even managed to reduce debt and strengthen its financial position despite an environment characterised by low prices.



All this has contributed to achieve a general improvement of the Company's financial metrics and the market's perception of its performance:

- In 2018, the net profit increased to €2.341 billion, the highest profit recorded in the last eight years, with an average oil price of \$71 per barrel (Brent). The EBITDA also increased to €7.513 billion.
- The Group's net debt has also been drastically reduced to €3.439 billion at the close of 2018, a 45% decrease compared to the amount recorded at the close of 2017 and far from the €11.934 billion at the close of 2015.
- All the leading rating agencies have improved the Company's credit rating. In October 2018, Fitch improved Repsol's perspectives to "positive", with a long-term credit rating of BBB. In early December, Moody's announced an improvement of its rating to Baa1 with stable perspective, and days later S&P Global Ratings increased its perspective to positive and confirmed its long-term credit rating as 'BBB'.

Mr. Imaz's leadership has ensured that the Company meets the commitments it has assumed. After achieving the targets set in the Strategic Plan 2016-2020 ahead of time, in June 2018 Repsol updated the strategy and its targets for the period from 2018-2020. As a result, relying on its integrated business model and the resources freed up following the sale of 20% of Naturgy, Repsol is advancing decisively in its bid to become a multi-energy company. In 2018, the milestones set for compliance with the Company's three major pillars are already being achieved:

- Increase in returns to shareholders, who will receive 0.90EUR per share in 2018. In addition, the Company has undergone a reduction of the share capital via amortisation of treasury shares for a volume equivalent to the shares issued during 2018 for the scrip dividends, resulting in an additional increase in the earnings per share. A dividend increased to 1 euro per share is contemplated for 2020, along with a total repurchase of the shares issued under the Repsol Flexible Dividend programme. As a result, the returns to shareholders are amongst the highest in the sector.
- Profitable growth of the Group's businesses. In terms of Upstream, in 2018 production reached 715,000 barrels of oil equivalent and the projects that will allow an increase to 750,000 barrels of oil equivalent are progressing according to plan. As regards downstream, the Group has increased its international presence in Peru and Mexico — inaugurating the first service stations and entering the lubricant business in the latter country. New businesses have also been set up relating to mobility, such as the new mobile payment channel Waylet, which already has over 1 million registered users. Together with Kia Motors Ibérica, the new car sharing operator WIBLE has also been established in Madrid.



- Development of a new low emission business. In 2018, Repsol reinforced its position as a multi-energy operator with the incorporation of the unregulated low-emission electricity generation businesses of Viesgo and its retail business, making it one of the main power companies in Spain with a total installed capacity of 2.9 GW and a portfolio of gas and electricity customers that now exceeds 800,000.

In order to ensure the achievement of its strategic objectives and the transformation of the Company, Mr. Imaz has made a major commitment to technology, new work methods and digitalization. In relation to the ambitious Digitalization Programme, more than 300 initiatives have been introduced in all the different businesses leading to a cash flow improvement in 2018 of more than €80 million, and it is fast becoming a cornerstone for transformation towards new working methods to achieve increased returns and efficiency.

During the years that Mr. Imaz has assumed management of the Company, sustainability criteria have been introduced in all the Company's activities, achieving important improvements and transforming the Company to help contribute to a less carbon-intensive world. In 2018, 85% of the target was reached under the CO2 Emissions Reduction Programme, which aims to reduce 2.1 million tonnes of emissions in 2020 compared to the levels in 2014. Even more ambitious targets have been set for 2025, with the aim of reducing emissions by up to 40% for 2040. As part of the Company's energy and carbon plan, Mr. Imaz promoted the first issue of a Green Bond by a company in the Oil & Gas sector.

In 2016, Mr. Imaz headed the approval of the Company's new Sustainability Model, which identifies the most relevant areas for Repsol and its stakeholders relating to their contribution to sustainable development. Every year, a Global Sustainability Plan is approved with medium-term targets and lines of action, executed via 22 Local Plans in the main countries and industrial complexes where the Company has a presence.

Also in 2016, Mr. Imaz approved the Circular Economy Strategy, a new model for production and consumption of goods and services that involves comprehensive management of natural resources, processes and the waste generated by the Company's activity. In 2018, a Circular Economy Action Plan was presented that contains a catalogue of circular initiatives, with priority being granted to the most relevant initiatives with transversal influence. More than 70 initiatives have already been established in 12 of the Company's businesses and areas.

Since 2015, Mr. Imaz has formed part of the Oil & Gas Climate Initiative (OGCI) together with 12 other company CEOs in the sector. In November 2016, the OGCI Climate Investments fund was established, which will invest \$1 billion in technologies to reduce greenhouse gas emissions over the next 10 years.

Mr. Imaz also organises a dedicated annual roadshow regarding Environmental, Social and Governance (ESG) issues with the main shareholders of the Company and ESG analysts, who have highlighted and praised Mr. Imaz's commitment to these issues, the progress made under



the Company strategy for energy transition and the excellent communication regarding these matters. His major commitment to sustainability and his strategic approach have been of key importance to achieve an increase of more than 200% in the presence of socially responsible investors (SRI) in Repsol's institutional shareholdings, with their participation increasing from 9.4% in 2015 to 30.2% in November 2018.

Mr. Imaz's mandate has also placed special emphasis on the Company's employees, with one of his basic objectives being to foster the human resources team at Repsol and attract new talent. In 2015, under the Transformation Programme, one of the goals was to improve employee satisfaction, which is measured via the favourable responses obtained in a Company Culture Survey periodically carried out with all employees. In 2018, 71% of the responses were favourable, in excess of the target and 19% higher than the results for the survey carried out in 2015. This is also not only at an internal level: in 2018 Repsol was recognized as one of the most attractive companies to work and one of the companies with the most capacity to attract talent.

c) Result of the annual evaluations and external recognition

Mr. Imaz's performance as CEO is evaluated by the Board of Directors annually and at least every three years with the collaboration of an external adviser of renowned prestige. For the evaluation in 2017 carried out with the collaboration of KPMG, the CEO obtained a score of 4.9 out of 5, with the Directors placing special emphasis on his magnificent performance, the compliance with the targets set and the excellent results obtained in a very complicated context, his capacity for open and constant dialogue with the Directors and his leadership, devotion and extensive knowledge of the Company and its businesses.

When evaluating his performance, the Directors viewed very positively the quality of the information placed at the disposal and the strategic debate, along with interaction with the managerial team.

Mr. Imaz has also received frequent and important recognition for his leadership of Repsol, including the following:

- Best CEO in 2018 according to Forbes magazine. This publication specialising in business and finance at a worldwide level grows this award based on a ranking that takes into account the average profitability for shareholders, following an analysis by a jury that includes investment banks, asset managers, recruitment agencies and consultants.
- Best European CEO for companies in the Oil & Gas sector in 2015 and 2018 according to the Extel survey, which recognises the best CEOs of companies in the sector according to international analysts, who rated very highly Mr. Imaz's communication and transparency with the market.



- Best CEO of Oil & Gas companies in 2016, according to Institutional Investor magazine. This magazine, one of the leading publications in the financial sector, grants this award following an evaluation of the best professionals and teams according to their relationship with investors of their companies quoted on European stock exchanges, based on the opinion of more 1200 analysts and 830 investors and fund managers.
- Repsol was also voted Petrochemical Company of the Year in 2016 by Petroleum Economist magazine and Energy Company of the Year in 2015 by Platts.

d) Additional information

Mr. Imaz directly owns a total of 252,195 shares in Repsol, S.A., with a value representing approximately three times his fixed annual remuneration, the best reflection of his alignment with the long-term interests of the Company and its shareholders.

Mr. Imaz has attended all the Board and Delegate Committee meetings during 2018.

e) Conclusion and Report of the Nomination Committee

After evaluating his career and the outstanding execution of his professional and personal duties, the Nomination Committee considers that Josu Jon Imaz San Miguel has the necessary expertise, experience and merits to continue to oversee the management of the Company as its CEO, with a very positive evaluation of his performance from the Board of Directors in the context of the evaluation performed of his functioning.

The Nomination Committee also valued his outstanding professional skills, his personal qualities and strengths, with special reference to his integrity, leadership skills, commitment and enthusiasm with the Company, his promotion of innovation, change and progress, transparency of information, personal responsibility and management and negotiation skills as well as his effective communication and his capacity to generate talent.

In terms of the evaluation of Mr. Imaz's work and effective dedication since his appointment, the Committee highlighted his outstanding performance, together with his attendance, contribution and informed participation during the meetings of the Board and the Delegate Committee.

Finally, as regards the category of his office, this Committee considers that Mr. Imaz meets the requirements established in section 529(1) duodecies of the Spanish Companies Act, Article 32 of the Bylaws and section 3.3 of the Board Regulations and accordingly he should be granted the office of *Executive Director*.

In light of the above, the Appointments Committee resolves to issue a favourable opinion regarding the proposed reappointment of Josu Jon Imaz San Miguel as Executive Director of



the Company for the period specified in the Bylaws of four years, which will be submitted for consideration by the General Meeting of Shareholders, and his subsequent continuation as Chief Executive Officer.

3) José Manuel Loureda Mantiñán
External Proprietary Director

a) Profile and professional experience

Mr. Loureda is a Civil Engineer. He began his professional career in 1965 when he joined Ferrovial, where he held various positions. Founder of Sacyr, where he was CEO until 2000 and Chairman until 2004. From 2003 to 2004 and following Sacyr's merger with Vallehermoso, he was Chairman of the Sacyr Vallehermoso Group. He is currently a Director of Sacyr, S.A. (representing Prilou, S.L.), Chairman of Valoriza Gestión, S.A.U. and Chairman of Sacyr Construcciones, S.A.U.

Mr. Loureda was appointed director of Repsol by Board resolution dated 31 January 2007, as subsequently ratified by the shareholders at the General Meeting held on 9 May 2007. He was subsequently re-elected at the General Meeting held on 15 April 2011 and 30 April 2015.

b) Additional Information

The date of this report, Mr. Loureda was the direct holder of 83 shares in Repsol, S.A. and the indirect holder of 92,965 shares. Accordingly his total participation, both direct and indirect, is 93,048 shares of the Company.

In accordance with the Annual Corporate Governance Report for 2018, Mr. Loureda has personally attended 84.62% of the meetings held by the Board of Directors, 90% of the meetings held by the Nomination Committee, 100% of the meetings held by the Remuneration Committee in 75% of the meetings held by the Sustainability Committee during 2018. He was represented at the meeting of the Board of 22 February 2018 due to other commitments assumed prior to convening the meeting, as in the case of the meetings of the Board and the Nomination's Committee and Sustainability Committee of 26 September, which he could not attend personally due to medical reasons. Nonetheless, the documentation of all meetings was sent prior to the meeting, enabling him to communicate his considerations of the matters and his voting instructions prior to the meetings.

c) Conclusion and Report of the Nomination Committee

In accordance with the Board Regulations, the Nomination Committee is responsible for informing regarding the proposals for re-election of the External Proprietary Directors. To this end, this Committee evaluates the skills, expertise and experience necessary on the Board;



consequently defining the functions and attitudes necessary in candidates that must cover each vacancy, and evaluating the time and devotion necessary for them to duly carry out their tasks.

As regards the contribution of knowledge and experience to the Board of Directors, this Committee wishes to highlight Mr. Loureda's extensive business and executive management expertise, occupying various high-level roles in the Sacyr Group – of which he was also one of its founders – along with his strategic vision and international experience.

As regards the evaluation of the work and effective dedication of the Director from the moment of his appointment until the present age, this Committee has confirmed the due exercise of his office, and his informed participation in the meetings of the Board, the Nomination Committee, the Remuneration Committee and the Sustainability Committee. On the other hand, due to his experience in the Repsol Group as a External Proprietary Director of the Company since 2007, he has extensive and detailed knowledge of the Company and its Group, including its governance rules.

The Nomination Committee considers that Jose Manuel Loureda Mantiñan has the ideal skills, experience and merits to carry out the office of Director of the Company and meets the requirements of honorableness, suitability, solvency, availability and commitment to the functions inherent to the office, allowing him to contribute in a very positive manner to the functioning of the Board of Directors of the Company.

Finally, as regards the category of his office, Jose Manuel Loureda Mantiñan has been proposed at the instance of the shareholder Sacyr, S.A. and this Committee considers that Mr. Loureda meets the requirements established in section 529(3) duodecies of the Companies Act and section 3.4 of the Regulations of the Board and accordingly he should be granted the status of *External Proprietary Director*.

In light of all of the above, the Nomination Committee agrees to issue a favourable report regarding the proposed re-election of Jose Manuel Loureda Mantiñan as a External Proprietary Director of the Company for the period established in the Bylaws of four years, which will be submitted for consideration by the General Meeting of Shareholders.



4) John Robinson West
Independent External Director

a) Profile and professional experience

Mr. West graduated from the University of North Carolina Chapel Hill and is a Jurist Doctor from the Temple University Law School in Philadelphia. He is a renowned international energy market expert, particularly in areas related with *oil & gas*. In 1984 he founded PFC Energy, which he also chaired until 2013.

Before founding PFC Energy, he held various high-level offices in different administrations of the US government. He served in the Reagan Administration as Assistant Secretary of the Interior and implemented the five-year lease plan for the US Outer Continental Shelf, organising the world's largest non-financial auction.

He served in the Ford Administration as the Deputy Assistant Secretary of Defense for International Economic Affairs, for which he received the Secretary of Defense Medal for Outstanding Civilian Service.

He currently heads the Center for Energy Impact created by Boston Consulting Group, he is also a member of the National Petroleum Council, the Council on Foreign Relations, Chairman of the German Marshall Fund of the US and Chairman Emeritus of the United States Institute of Peace.

Mr. West was appointed an Independent External Director of Repsol by the Board resolution of 20 January 2015. He was subsequently reappointed by the Shareholders at their General Meeting held on 30 April 2015.

b) Additional Information

Mr. West does not hold any shares in Repsol, S.A.

Mr. West has personally attended all the Board and Delegate Committee meetings during 2018.

c) Conclusion and proposal of the Nomination Committee

In accordance with the Board Regulations, the Nomination Committee is responsible for presenting the proposals for re-election of the Independent External Directors to the Board of Directors, previously evaluating the quality of the work and dedication of the Directors proposed for reappointment.

As regards his contribution of knowledge and expertise to the Board of Directors, this Committee wishes to highlight the extensive expertise Mr. West has in the energy sector, in particular for all matters relating to *oil & gas*, along with his strategic vision and international and institutional experience in the field of executive management.



As regards the evaluation of his work and effective dedication from the time of his appointment until the current date, this Committee has established that he has duly exercised his office, with attendance and informed participation at the meetings of the Board and the Executive Committee. Furthermore, due to his experience in the Repsol Group as a Director of the Company since 2015, he has extensive and detailed knowledge of the Company and its Group, including its governance rules.

The Nomination Committee considers that Mr. West has the skills, experience and merits necessary to carry out the office of Director of the Company and that he meets the requirements of honorableness, suitability, solvency, availability and commitment to the functions inherent to the office, allowing him to contribute in a very positive manner to the functioning of the Board of Directors of the Company.

Finally, as regards the category of his office, this Committee considers that Mr. West meets the requirements established in section 529(4) duodecies of the Companies Act and sections 3.5 and 13 of the Regulations of the Board and accordingly he should be granted the status of *Independent External Director*.

In light of all of the above, the Nomination Committee agrees to propose the re-election of Mr John Robinson West as an Independent External Director of the Company for the term specified in the Bylaws of four years, which will be submitted for consideration by the General Meeting of Shareholders.

5) Henri Philippe Reichstul
Non-Executive Director

a) Profile and professional experience

Paris, (France), 1949. Degree in Economics from the University of São Paulo and postgraduate studies at Hertford College, Oxford.

He has been Secretary of the State Corporations Budget Office and Brazilian Vice Minister of Planning. Between 1988 and 1999 he was Executive Vice Chairman of Banco Inter American Express, S.A. He was Chairman of the Brazilian state oil company Petrobras from 1999 to 2001.

He is a member of the Advisory Board of Lhoist do Brasil Ltda., member of the Control Committee of PSA Peugeot Citroen S.A., Chairman and member of the Control Committee of Fives Goup, Board member of LATAM Airlines Group, Board member of TAM Linhas Aéreas and Vice Chairman of the Brazilian Foundation for Sustainable Development (FBDS).

Mr. Reichstul was appointed Director of Repsol by co-opting by Board resolution held on 30 October 2018, an office that he had previously held between December 2005 and May 2017.



b) Complementary information

At the date of this report, Mr. Reichstul holds 50 shares in Repsol S.A., whether directly or indirectly.

Mr. Reichstul has personally attended all the Board and Delegate Committee meetings since his appointment.

c) Conclusion and Report of the Nomination Committee

In accordance with the Board Regulations, the Nomination Committee is responsible for informing regarding the proposals for reappointment of the Non-Executive Directors. To this end, the Committee evaluates the skills, knowledge and experience necessary on the Board, consequently defining the functions and skills necessary from the candidates that must cover each vacancy and evaluating the necessary time and devotion for them to duly carry out their office.

As regards his contribution of knowledge and expertise to the Board of Directors, this Committee wishes to highlight Mr. Reichstul's extensive expertise, having worked as Chairman of the Brazilian State Oil Company Petrobras, along with his strategic vision and international experience in the field of sustainability.

As regards the evaluation of his work and effective dedication from the time of his appointment until the current date, this Committee has established that he has duly exercised his office, with attendance and informed participation at the meetings of the Board and the Executive Committee.

Furthermore, due to his experience in the Repsol Group as a Director of the Company from 2005 to 2017, he has extensive and detailed knowledge of the Company and its Group, including its governance rules.

The Nomination Committee considers that Mr. Henri Philippe Reichstul has the skills, experience and merits necessary to carry out the office of Director of the Company and that he meets the requirements of honorableness, suitability, solvency, availability and commitment to the functions inherent to the office, allowing him to contribute in a very positive manner to the functioning of the Board of Directors of the Company.

Finally, as regards the category of his office, this Committee considers that in accordance with section 529 duodecies of the Companies Act and section 3 of the Regulations of the Board, Mr. Reichstul should be granted the status of *Non-Executive Director*.

In light of all of the above, the Nomination Committee agrees to propose the re-election of Mr. Henri Philippe Reichstul as Non-Executive Director of the Company for the term specified in



the Bylaws of four years, which will be submitted for consideration by the General Meeting of Shareholders.

Summary of the selection process for Independent Directors

In view of the vacancies that are expected to occur in 2019, when the mandate of the two Independent Directors completing twelve years ends, the Nomination Committee agreed on September to initiate an analysis process on the composition of the Board and on the competences and abilities that it would be advisable to include or reinforce in that body, with the consequent search for candidates, by internal or external means, in order to have several persons identified who meet the criteria of the Policy for the Selection of Directors.

Since last September, the Nomination Committee has met on six other occasions, in order to carry out a regular follow-up of the selection process. As part of this process, in this regard, and after carrying out a contest with the main specialized companies, Korn Ferry was hired as external advisor in the matter, in order to have a plurality of candidates, among which should be included in any case women who meet the professional profile sought, in accordance with the Policy of Selection of Directors and the Regulations of the Board of Directors.

Korn Ferry has been giving its support to the Committee advising the Company throughout the process and specifically, in the development of various lists of candidates, which have been analyzed in a comprehensive manner, selecting those profiles that could provide more value taking into account the composition and matrix of competences of the current members of the Board of Directors.

Likewise, these lists of candidates have been supplemented with other candidates presented by members of the Board of Directors, as expressly provided for in the Selection Policy for Directors.

After completing an exhaustive analysis of the profiles considered most suitable, with the appropriate additional interviews, the Nomination Committee, in view of the competences and abilities that it has considered convenient to include or reinforce in the Board of Directors taking into account the current circumstances of the Company, has agreed, at its meeting of March 27, to propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment of Ms. María Teresa García-Milà Lloveras and of Ms. Aránzazu Estefanía Larrañaga as Directors of the Company for the statutory period of four years, with the category of Independent External Directors then the most relevant considerations of these proposals are set out below:



**6) Ms. Aránzazu Estefanía Larrañaga
Independent External Director**

a) Summary of profile and professional experience

Information regarding the professional career of Ms. Estefanía is shown below, demonstrating her skill, merits, extensive experience and wide-ranging expertise in various professional and business fields.

Ms. Estefanía has a Law Degree with Honors and an Extraordinary End-of-Degree Award from the University of Deusto.

From 2000 to January 2019, she has been a Partner and Director of the Uría Menéndez Abogados S.L.P. of its Bilbao Office since its foundation. She has developed different positions, among which the following stand out as Director of the Practice Area of Procedural, Public, Arbitration and Criminal Law. He has also been a member of the Board of Directors, the Management Committee of Professional Practice and the Committee for the Prevention of Criminal Risks of Uría Menéndez.

She has been Secretary of the Board of different entities and mercantile companies. Currently, she is the Secretary of the Board of Directors of Bilbao Exhibition Center S.A.

Ms. Estefanía also has teaching experience as an assistant professor in the Civil Law Department of the University of Deusto. He is a person of recognized prestige in the field of Commercial Law and has developed an extensive practice in the area of compliance and prevention of criminal risks, as well as health, safety and environment. In recent years, Ms. Estefanía has given several conferences on the criminal responsibility and compliance of legal persons and is also the author of several publications.

Ms. Estefanía has been recognized annually continuously since 2013, by Best Lawyer in Spain as a leading lawyer in arbitration and mediation practices and as attorney of the year in the area of litigation.

b) Proposal of the Nomination Committee

In accordance with the provisions of the Board Regulations, the Nomination Committee must submit proposal for the appointment of Independent External Directors to the Board of Directors. Accordingly, this Committee will evaluate the skills, knowledge and experience necessary for the Board of Directors, defining, in consequence, the functions and aptitudes necessary for the candidates to fill each vacancy, and evaluating the time and dedication required for them to undertake their tasks properly.

In accordance with the Directors Selection Policy the Nomination Committee has assessed the



independence of the candidates proposed as new Independent Directors and compliance with the requirements provided for by Law, the Bylaws and the Board Regulations.

For the purpose of assessing the independence of the Ms. Estefanía, the Nomination Committee has considered the provisions of the Companies Act and the Code of Corporate Governance of Listed Companies, as well as the policies of our major shareholders and the main proxy advisors.

Subject to the above, among other requirements, Independent Directors should not maintain any significant business relationship with Repsol, either directly or as a significant shareholder, director, or senior executive of any institution that maintains or has maintained such a relationship with Repsol.

To these effects, it has been verified that Ms. Estefanía can exercise his position as Director of Repsol without being conditioned by the existence of business relations with the Company, since she is not nor has been a significant shareholder, director, or senior executive of any institution with which Repsol maintains or he has maintained a business relationship.

In terms of her contribution of knowledge and experience to the Board of Directors, this Committee would like to highlight the training and extensive experience of Ms. Aránzazu Estefanía Larrañaga in the area of commercial law and corporate governance, as well as in the areas of compliance, prevention of criminal risks and in health, safety and environment.

Pursuant to the foregoing, the Nominations Committee considers that Ms. Aránzazu Estefanía Larrañaga has the skills, experience and merits that would be suitable for the position of Director of the Company and that she meets the requirements of trustworthiness, aptness, solvency, availability and commitment for the duties inherent to the office. Similarly, the appointment of Ms. Estefanía will contribute to promoting gender diversity in the composition of the Board, in accordance the objectives laid down in Repsol Director Selection Policy.

Lastly in regard to his classification as a Director, this Committee has deemed that Ms. Estefanía complies with the requirements set forth in Section 4 of art. 529 *duodecies* of the Companies Act, art. 32 of the Bylaws, and art. 3.5 and 13 of the Board Regulations and therefore, that she should be classified as an *Independent External Director*.

Based on all of the above, the Nomination Committee hereby resolves to propose appointment of Ms. Aránzazu Estefanía Larrañaga as an Independent Director of the Company, for a statutory term of four years, and to submit this to the consideration of the General Shareholders' Meeting.



7) Ms. Maria Teresa García-Milà Llovera
Independent External Director

a) Summary of profile and professional experience

Information regarding the professional career of Ms. García-Milà is shown below, demonstrating her skill, merits, extensive experience and wide-ranging expertise in various business fields.

Ms. García-Milà holds a degree in Economics from the University of Barcelona and a PhD in Economics from the University of Minnesota.

She started her professional career as an assistant professor in the Department of Economics, at the State University of New York and later as associate professor in the Department of Economics of the Economics Department of the Universitat Autònoma de Barcelona (UAB).

Subsequently, she held various positions at the Pompeu Fabra University in Barcelona, including: Full professor of Economy and Business, Dean of the Faculty of Economic and Business Sciences, Vice Chancellor for Scientific Policy and Director of the Department of Economics and Business.

Currently, Ms. García-Milà is Director of the Barcelona Graduate School of Economics responsible for the day to day management. Additionally, she is Professor of the Economic Department of the Pompeu Fabra University in Barcelona.

Likewise, she is an Independent Director of Banco de Sabadell being as well the Lead Independent Director, member of its Nomination Committee, its Remuneration Committee and its Risk Committee. She is also an honorary member of the Spanish Association of Economics, of which she has been president, member of the advisory council of the Independent Authority for Fiscal Responsibility (AIREF), member of the Board of Directors of the Center Recerca in International Economics, Vice-president of the Circle of Economy, of Barcelona Global and of the Board of Trustees of the Institute for Political Economy and Governance (IPEG).

She has also been Director of Enagas and Vueling, the Economics Coordinator of the National Agency for Evaluation and Perspective (ANEP), member of the Commission of Industrial Competitiveness of the Ministry of Industry, Commerce and Tourism, among other positions.

Ms. García-Milà is a regular speaker at workshops and conferences and author of numerous financial and economic publications. She has received distinctions such as "Collegiate of Merit" from the Association of Economists of Catalonia and the "Narcís Monturiol" Medal of the Generalitat of Catalonia.



b) Proposal of the Nomination Committee

In accordance with the provisions of the Board Regulations, the Nomination Committee must submit proposal for the appointment of Independent External Directors to the Board of Directors. Accordingly, this Committee will evaluate the skills, knowledge and experience necessary for the Board of Directors, defining, in consequence, the functions and aptitudes necessary for the candidates to fill each vacancy, and evaluating the time and dedication required for them to undertake their tasks properly.

In accordance with the Directors Selection Policy the Nomination Committee has assessed the independence of the candidates proposed as new Independent Directors and compliance with the requirements provided for by Law, the Bylaws and the Board Regulations.

For the purpose of assessing the independence of the Ms. García-Milà, the Nomination Committee has considered the provisions of the Companies Act and the Code of Corporate Governance of Listed Companies, as well as the policies of our major shareholders and the main proxy advisors.

Subject to the above, among other requirements, Independent Directors should not maintain any significant business relationship with Repsol, either directly or as a significant shareholder, director, or senior executive of any institution that maintains or has maintained such a relationship with Repsol.

To these effects, it has been verified that Ms. García-Milà can exercise his position as Director of Repsol without being conditioned by the existence of business relations with the Company, since she is not nor has been a significant shareholder, director, or senior executive of any institution with which Repsol maintains or he has maintained a business relationship.

In terms of her contribution of knowledge and experience to the Board of Directors, this Committee would like to highlight her experience in the financial and economic field, being an expert of recognized prestige in these matters, as well as her institutional experience and international training.

Pursuant to the foregoing, the Nominations Committee considers that Ms. Maria Teresa García-Milà Lloveras has the skills, experience and merits that would be suitable for the position of Director of the Company and that she meets the requirements of trustworthiness, aptness, solvency, availability and commitment for the duties inherent to the office. Similarly, the appointment of Ms. García-Milà will contribute to promoting gender diversity in the composition of the Board, in accordance the objectives laid down in Repsol Director Selection Policy.

Lastly in regard to his classification as a Director, this Committee has deemed that Ms. García-



Milà complies with the requirements set forth in Section 4 of art. 529 *duodecies* of the Companies Act, art. 32 of the Bylaws, and art. 3.5 and 13 of the Board Regulations and therefore, that she should be classified as an *Independent External Director*.

Based on all of the above, the Nomination Committee hereby resolves to propose appointment of Ms. Maria Teresa García-Milà Lloveras as an Independent Director of the Company, for a statutory term of four years, and to submit this to the consideration of the General Shareholders' Meeting.



Report of the Board of Directors on the resolution proposed under point seventeenth on the Agenda (“Advisory vote on the Repsol, S.A. Annual Report on Directors’ Remuneration for 2018”)

Pursuant to Article 541.4 of the Companies Act, it is submitted to an advisory vote by the Shareholders, as a separate point on the agenda. the Repsol, S.A. Annual Report on Directors’ Remuneration 2018, which has been prepared following the instructions established in Circular 5/2013, of June 12, of the National Securities Market Commission, as it has been modified by Circular 2/2018 of the National Commission of the Stock Market (*Comisión Nacional del Mercado de Valores – CNMV*) and prepared in the free format model allowed by the Circular, including the minimum content required by the regulations and the statistical appendix introduced by Circular 2/2018.

This Report responds, therefore, to Repsol's desire to continue increasing the transparency of its remuneration schemes and to provide shareholders with an understanding of the remuneration systems currently in place.

This report was approved by the Board of Directors on 27 February 2019, upon recommendation by the Compensation Committee, which received independent counselling from EY, a firm specializing, among others, in compensation for directors and senior executives.

The Repsol, S.A. Annual Report on Directors’ Compensation 2018 is available for consultation by shareholders on the Company’s website (www.repsol.com) and at the registered office, situated at Calle Méndez Álvaro nº 44, 28045 Madrid, where shareholder may also request a copy in hand or delivered free of charge to any address they may indicate.

Report by the Board of Directors on point eighteenth of the Agenda ("Approval, if appropriate, of the inclusion of a target related to the performance of total shareholder return in the Long Term Incentive Remuneration Plan of the Executives Directors (ILP 2018-2021 and ILP 2019-2022).")

In accordance with article 219 of the Spanish Companies Act (*Ley de Sociedades de Capital*) and article 45 of the Company Bylaws, and given that if the proposal is approved, the remuneration system for the Company's executive directors will be partially tied to Repsol share price performance, the Board of Directors proposes to the General Meeting to include a target tied to total shareholder return ("**Total Shareholder Return**" or "**TSR**") of the Company among the targets or parameters of the Long Term Incentive Remuneration Plan for the period of 1 January 2018 to 31 December 2021 ("**ILP 2018-2021**") and for the period of 1 January 2019 to 31 December 2022 ("**ILP 2019-2022**").

In accordance with the Directors' Remuneration Policy, the long term remuneration plans implemented by Repsol aim to bolster the commitment of Executive Directors and other beneficiaries and, in turn, foster the creation of sustainable value for the shareholder in the long term. In this context, it is proposed to include a metric tied to the Company's TSR, commonly included among long term remuneration plan targets.

In particular, it is proposed for this metric to have 15% weight on the total Long Term Incentive remuneration of the ILP 2018-2021 and the 25% over the total Long Term Incentive remuneration of the ILP 2019-2022 will contemplate the relative performance of Repsol's TSR in the indicated periods 2018-2021 and 2019-2022 against the TSR of a benchmark group of ten international listed companies (the "**Benchmark Group**"). A level of compliance will be allocated according to the relative position of the Repsol TSR against the Benchmark Group, which will be determined according to the following table:

Repsol TSR	Level of compliance
1 or 2	100%
3 or 4	75%
5	50%
6	25%
≥ 7	0%

As stated in the proposed resolution, "TSR" will be understood as the difference (expressed as a percentage relationship) between the final value of an investment in ordinary Repsol shares and its initial value in the considered period, taking into account that the calculation of final value will include dividends or other similar gross amounts (such as the Repsol Flexible Dividend programme) received by the shareholder for the investment during the



corresponding period, as if there had been an investment of more shares of the same type on the first date on which the dividend or similar becomes due to shareholders and the closing price on the said date. The TSR will be obtained using the Bloomberg tool function Cumulative_Tot_Return_Gross_DVDS (or similar should this be unavailable), taking as a reference the average value for the month of December of each appraisable year and, for each company of the Benchmark Group and Repsol, adjusting the resulting TSR by the percentage variation of the benchmark index of each market.

The **Benchmark Group** shall be formed of the following companies: Total S.A., Royal Dutch Shell p.l.c., BP p.l.c., ENI S.p.A., OMV Aktiengesellschaft, Equinor ASA, GALP Energia SGPS, S.A., Iberdrola, S.A., Naturgy Energy Group, S.A. and Endesa, S.A.

As stated in the Directors' Remuneration Policy, the amount of the ILP 2018-2021 and ILP 2019-2022 due to Executive Directors will be paid 70% in cash and 30% in shares.

Lastly, the proposed resolution includes a general clause for delegation of powers, in the sense that the Board of Directors (or, if the case may be, the Delegate Committee or the Chief Executive Officer), without prejudice to its remuneration authorities under the Company Bylaws and other applicable internal regulations, may implement the resolution and define its rules as far as necessary, perform the necessary calculations and produce other documentation to be used.



Report by the Board of Directors on the resolution proposal related to point nineteenth on the Agenda (“Examination and approval, if appropriate, of the Remuneration Policy for Directors of Repsol, S.A. 2019-2021”)

With regard to this point on the Agenda, the Board of Directors refers to the Report on the Remuneration Policy for Directors issued by the Compensation Committee on 25 March 2019 and proposes approving the Remuneration Policy for Directors of Repsol, S.A. for the years 2019, 2020 and 2021, in line with the best good governance practices, the policy of maximum transparency to which the Company is committed and in response to the regulatory framework in this matters.

The Remuneration Policy for Directors of Repsol, S.A. is available to shareholders, together with the report of the Compensation Committee on the Remuneration Policy of the Board of Directors of Repsol, S.A., on the Company’s website (www.repsol.com) and at the registered office, located in Madrid, Street Méndez Álvaro 44 (28045), where they can also request their free delivery to any address they may indicate.



Report of the Board of Directors on the resolution proposed under twentieth on the Agenda (“Delegation of powers to interpret, supplement, develop, execute, rectify and formalize the resolutions adopted by the General Shareholders’ Meeting.”)

This is the usual resolution granting to the Board of Directors the ordinary powers to execute the resolutions adopted at the Shareholders’ Meeting, including the power to file the Annual Accounts and have the necessary resolutions entered in the Trade Register.

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