

2023

Ordinary General Shareholders' Meeting

Repsol, S.A.

Explanatory Report on the
Remuneration Policy of Directors of
Repsol, S.A.

*Translation of a report originally issued in Spanish. In
the event of a discrepancy, the Spanish language
version prevails*



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Index

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1 INTRODUCTION	2
2. PRINCIPLES OF THE NEW DIRECTORS' REMUNERATION POLICY	2
3. CONCLUSIONS AND VALIDITY OF THE REMUNERATION POLICY	4

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

1. INTRODUCTION

In accordance with the provisions of art. 39 bis of the Bylaws and art. 36 of the Regulations of the Board of Directors of Repsol, S.A. (hereinafter "**Repsol**" or the "**Company**"), the Compensation Committee (the "**Committee**") is responsible, among other duties, for proposing the directors' Remuneration Policy to the Board of Directors, for reviewing it periodically and for verifying its compliance.

Art. 529 *novodecies* of the Spanish Companies Act provides that the proposal of the directors' remuneration policy must be motivated and must be accompanied by a specific report by the Compensation Committee, and that both documents must be published on the corporate website when the General Shareholders' Meeting is called.

This document constitutes explanatory report on the remuneration policy of directors (hereinafter, the "**Report**"), which shall be submitted to the approval of the Board of Directors and subsequently to the General Shareholders' Meeting. This report contains the criteria and principles on which the Committee relies when determining the remuneration policy of the Directors of Repsol, S.A. (the "**Remuneration Policy**") that will remain in effect throughout 2023, 2024, 2025 and 2026.

2. PRINCIPLES OF THE NEW DIRECTORS' REMUNERATION POLICY

The proposed Remuneration Policy to be submitted to the approval of the Board of Directors, and subsequently to the General Shareholders' Meeting, follows the guidelines laid down in the current policy approved by the General Shareholders' Meeting in March 26, 2021, while introducing certain amendments.

These adjustments respond to the Company's desire to remain aligned with best corporate governance and market practices, the recommendations set forth in the Code of Corporate Governance of Listed Companies of the National Securities Market Commission (CNMV) and the interests of its shareholders.

Thus, the Remuneration Policy includes, at the proposal of the Chairman of the Board of Directors, a 50% reduction in his fixed remuneration on the occasion of his re-election by the General Shareholders' Meeting.

Additional information is also included in the Policy on the functioning of the long-term variable remuneration programs implemented since 2020, which provide for the partial allocation of shares, through performance shares, as part of the Long-Term Incentive award.

On the other hand, in relation to the Share Purchase Plans by the Beneficiaries of the Long-Term Incentive Programs, the new additional performance target is included for those beneficiaries who are Executive Directors or who are considered Senior Management for the delivery, by the Company, of the additional share for every three shares initially acquired by the beneficiaries.

Finally, the possibility of remunerating non-executive directors for their membership of the governing bodies of companies in which Repsol has a stake is provided for.

The overall principle defining Repsol's remuneration policy is the search for the mutual generation of value for the Company and for the Directors and the alignment of their interests with those of the shareholders, ensuring total transparency. In defining the new Remuneration Policy, the Committee has paid special attention to the feedback received from the Company's shareholders, institutional investors and proxy advisors, throughout the consultation and engagement processes carried out by Repsol.

Repsol considers adequate remuneration for its professionals to be a key factor for creating value in the Company. It is essential to have a Remuneration Policy that allows the right remuneration to be established for each Director, taking into account their dedication, qualification, type and level of responsibility, ensuring that Directors' independence as such is not compromised, and properly rewarding Executive Directors for exceptional results and performance.

The Committee also has to ensure that the Company does not pay more than is necessary by putting together a remuneration package that is competitive and, at the same time, enables Repsol to have the best professionals in the market in general, and in the energy sector in particular.

Within this context and according to art. 217 of the Spanish Companies Act, stating that the remuneration of directors must be reasonably proportionate to the company's size, relevance and financial standing from time to time and market standards followed by peer companies, the Committee and the Board of Directors periodically review the Remuneration Policy.

As stated in the Remuneration Policy, the remuneration of Directors in their capacity as such is based on the following principles:

- The remuneration should be sufficient and appropriate given the dedication, qualifications and responsibilities of the Directors, but without compromising their independent judgement.
- The remuneration should be in line with that paid in the market. To ensure this, the company takes into account, adapting them, where appropriate, the circumstances and needs of Repsol, the remuneration of Directors in other listed business groups similar to Repsol in terms of size, complexity of business and operations and geographic distribution of assets.

Meanwhile, the remuneration of the Executive Directors for the performance of their executive functions will take the following general principles into consideration:

- To ensure that the remuneration, in terms of its structure and overall amount, complies with best practice and is competitive with that paid by other comparable organisations in order to attract, retain and motivate the best professionals.
- To establish remuneration based on objective criteria related to the individual performance of the Executive Directors and the achievement of the business objectives of the Company and the Group.
- To maintain an annual variable component linked to the achievement of specific and quantifiable targets, aligned with the company's interests, with control and measurement systems that determine the payment of the variable remuneration based on individual performance assessments and the personal contribution to the achievement of the established goals.
- To incorporate multiannual variable remuneration systems that promote the achievement of long term targets over time and the retention of key people, promoting the sustainability and profitability of the Company in the long-term.

- To maintain an appropriate balance between the different compensation items, in line with best corporate governance practices, also considering the information received from the Company's shareholders, institutional investors and proxy advisors, in the context of the consultation and engagement processes carried out by Repsol.
- To ensure alignment of interests with those of the shareholders, encouraging the demand for shares.
- To ensure sustained alignment between the remuneration policy for the Executive Directors and that for the Senior Management.

Accordingly, Directors' compensation for their work as such consists entirely of fixed pay items, whereas the remuneration of the Executive Directors, for their executive duties functions consists of different remuneration items comprising, mainly, a fixed remuneration and a short and long-term variable remuneration linked to the objectives established in the Company's Strategic Plan, presenting a balanced and efficient relationship between the fixed and variable items. Thus, the fixed item constitutes a sufficiently large part of the total remuneration and the variable items are sufficiently flexible so as to allow their modulation to such an extent that they can be completely removed in a given year if the objectives to which they are linked are not achieved.

In this regard, the remuneration scheme is in line with the Company's philosophy of competitive remuneration that promotes the achievement of corporate objectives, while preventing excessive risk-taking.

All of this is expressed in the terms and with the detail included in the text of the Remuneration Policy, presented to the Board of Directors for its submission to the General Shareholders' Meeting.

3. CONCLUSIONS AND VALIDITY OF THE DIRECTORS' REMUNERATION POLICY

The Committee considers that the proposed Repsol Directors' Remuneration Policy is suited to the Company's and its shareholder' long-term interests and that the remuneration levels of the Company Directors are adequately positioned when compared with the market, insofar as they are properly rewarded for discharging their duties in accordance with the size, objectives, internal organization and nature, scope and complexity of Repsol's activities.

As provided for in section 529 *novodecies* of the Spanish Corporate Act, the Company will apply this Directors' Remuneration Policy throughout 2023, 2024, 2025 and 2026. Any modification or replacement of the Policy during the period will require the prior approval of the General Shareholders Meeting as provided for under current legislation, without prejudice to the remuneration expressly approved by the General Shareholders Meeting pursuant to section 529(5) *novodecies*.

For all the above, this Committee submits this report together with the Remuneration Policy that accompanies it to the Board of Directors for submission to the approval of the General Shareholders' Meeting.

Madrid, March 22, 2023

The Compensation Committee