

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

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

I. COMPETENCES OF THE BOARD OF DIRECTORS AND THE NOMINATION AND COMPENSATION COMMITTEE

The competences of the Board of Directors and its Nomination and Compensation Committee on Directors' remuneration are established in the By-Laws and in the Regulations of the Board of Directors.

In accordance with article 5.3.c) of the Regulations of the Board of Directors, the Directors' emoluments and, in the case of Executive Directors, the additional remuneration for their executive duties and other conditions of their contracts, have to be approved by the Board.

The Nomination and Compensation Committee, in accordance with article 33.4.a) of the Regulations, will propose to the Board its remuneration policy, assessing the responsibility, dedication and incompatibilities required to the Directors. In the case of Executive Directors, the Committee proposes to the Board their additional remuneration for their executive duties and other conditions of their contracts.

II. REMUNERATION POLICY FOR DIRECTORS

1. *Corporate Governance framework*

The Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) approved on May 22nd, 2006 the Unified Good Governance Code as single text on corporate governance recommendations. The main purposes of this Code were to (i) unify the existing recommendations in Spain until 2003; (ii) harmonize them with those made after that date (OECD principles and European Union recommendations, among others); and (iii) take into account the views of experts from the private sector as well as those from the State Secretariat for the Economy, the Ministry of Justice and the *Banco de España*.

One of the main principles of the Code is its voluntariness, subject to the "comply or explain" internationally known principle expressly cited in Article 116 of the Securities Market Act.

With this report Repsol YPF follows the new recommendations and continues its transparency policy on remuneration, treating separately the remuneration of Executives

and non-Executive Directors and including a description of the main principles of the remuneration policy inside the Group.

2. General principles of the remuneration policy for Directors.

In respect of the exercise by Directors of their oversight and group decision duties, the purpose of the remuneration policy is to remunerate them in a suitable way for their dedication and responsibilities without jeopardizing their independence.

In respect of the exercise by the Executive Directors of their executive duties (apart from their oversight and group decision duties), their remuneration is adapted to the executives remuneration general policy inside Repsol YPF Group, explained hereinafter.

Repsol YPF desires to be placed as an admired and distinguished Company in the fields it operates for the high value added, the excellence in management, the organization culture and the quality of its executive team.

In this regard, Repsol YPF understands remuneration as a value generating element through which the Company is able to retain and attract the best professionals, assuming undertakings with its executives and making them feel part of the organization.

Following these criteria, the determination of the total remuneration takes into consideration comparative figures from the Spanish large corporate groups. The remuneration of the Chief Executive Officer also takes into consideration the trends evolution of the European energy market.

Therefore, the total remuneration must be understood in view of the whole of the remuneration package, harmonizing the balance among all of its elements (fixed, variable short term and medium term remuneration and social benefits):

- Fixed remuneration: is determined taking into consideration the market references mentioned before and the sustainable contribution of each executive.
- Annual variable remuneration: its purpose is to motivate the performance of the executive and assess annually his or her contribution to the achievement of the established goals and to the development of the organization Values. Its maximum amount is established as a percentage of the fixed remuneration.
- Multi-annual variable remuneration: the Company has implemented monetary medium term incentive programs, with a four years measurement period.

These programs sought to strengthen the ties of the executives with the interests of the shareholders through the sustainable creation of value, remunerating the contribution to the achievement of the strategic goals of the Company, and, at the same time, furthering the continuation of the executives within the Group in an increasingly competitive employment market.

- Other benefits: the above described monetary remunerations are complemented with welfare systems and health and life insurances, aligned with the reference market practices.

3. Directors remuneration structure

A. Fixed remuneration

a) Due to membership on the Board of Directors of Repsol YPF

In accordance with Article 45 of the bylaws, the Company may pay remuneration equal to 1.5% of its net profit to its Board members each year for the exercise of their oversight and group decision duties, but this amount can only be paid after covering the legal reserve and any other compulsory reserves and declaring a dividend of at least 4%. The Board of Directors shall decide on the exact sum payable within this limit and on its distribution among the Directors, taking into account the positions held on the Board and its Committees by each Director.

The Nomination and Compensation Committee shall propose to the Board the criteria it considers appropriate to achieve the purposes of this Article of the By-Laws.

The remuneration of the Directors is calculated through the allocation of points for the membership to the Board and its Committees.

The Board of Directors held on February 24, 2010 agreed not to increase the value of the point for 2010, as decided for 2009, keeping the value of the point set for 2008 fiscal year (Euros 86,143.51 - annual gross).

The allocation of points is the following:

	Points
Board of Directors	2
Delegate Committee	2
Nomination and Compensation Committee	0,5
Strategy, Investment and Corporate Social Responsibility Committee	0,5
Audit and Control Committee	1

The amounts of the remuneration earned by each Director in 2010 by virtue of membership to the Board and its Committees are as follows:

	Board of Directors	Delegate Committee	Audit and Control Committee	Nomination and Compensation Committee	Strat., Invest. And CSR Committee	TOTAL
BRUFAU NIUBÓ, Antonio	172,287	172,287	-	-	-	344,574
DEL RIVERO ASENSIO, Luis	172,287	172,287	-	-	-	344,574
FAINÉ CASAS, Isidro	172,287	172,287	-	-	-	344,574
ABELLÓ GALLO, Juan	172,287	-	-	-	43,072	215,359
BEATO BLANCO, Paulina	172,287	-	86,144	-	-	258,431
CARULLA FONT, Artur	172,287	172,287	-	43,072	-	387,646
CROISSER BATISTA, Luis Carlos	172,287	-	-	-	43,072	215,359
DE LAS MORENAS	172,287	-	86,144	-	-	258,431

LÓPEZ, Carmelo						
DURÁNDEZ ADEVA, Ángel	172,287	-	86,144	-	-	258,431
ECHENIQUE LANDIRIBAR, Javier	172,287	172,287	86,144	-	-	430,718
GABARRO MIQUEL, M ^a Isabel	172,287	-	-	43,072	43,072	258,431
LOUREDA MANTIÑAN, José Manuel	172,287	-	-	43,072	43,072	258,431
NIN GÉNOVA, Juan María	172,287	-	-	43,072	43,072	258,431
PEMEX INTER. ESPAÑA, S.A.	172,287	172,287	-	-	43,072	387,646
REICHSTUL, Henri Philippe	172,287	172,287	-	-	-	344,574
SÚAREZ DE LEZO MANTILLA, Luis	172,287	172,287	-	-	-	344,574
TOTAL	2,756,592	1,378,296	344,576	172,288	258,432	4,910,184

b) Due to membership on the Board of Directors of subsidiaries

The amount accrued by the CEO in 2010 for his membership in the Board of Directors of Group companies, jointly controlled companies or associates, totalled 344,631 euros (78,981 euros for his membership to the Board of Directors of *YPF, S.A.* and 265,650 euros for his membership to the Board of Directors of *Gas Natural SDG, S.A.*). The amount accrued in 2010 by the Director and General Counsel for the same concept totalled 190,975 euros (9,921 euros for his membership in the Board of Directors of *Compañía Logística de Hidrocarburos, S.A., CLH*, 103,500 euros for his membership to the Board of Directors of *Gas Natural SDG, S.A.* and 77,553 euros for his membership to the Board of Directors of *YPF, S.A.*).

The non-Executive Directors has not received remuneration of any other kind due to membership on the Board of Directors of Group companies, jointly controlled companies or associates.

c) Due to the discharge of executive duties

This Section contains information regarding fixed remuneration accrued by the Executive Directors due to the holding of executive positions and the discharge of executive duties.

Taking into consideration the aforementioned, the fixed remuneration earned by the CEO and by the Director and General Counsel in 2010 amounted to 2,310 thousand euros and 959 thousand euros, respectively.

B. Annual variable remuneration

Inside the Board, the short term variable remuneration is only applicable to Executive Directors.

The annual variable remuneration of the Executive Directors is calculated as a percentage of their fixed remuneration taking into consideration the global evaluation of their performance.

To calculate the annual variable remuneration of the CEO, the Board of Directors on the proposal of the Nomination and Compensation Committee, previously determined the objectives and the measurable criteria that are considered in order to estimate its amount. Among the criteria considered for annual variable remuneration for the year 2010 are objectives related to the implementation of the Strategic Plan, implementation of financial standards, results and reputational policy matters, corporate governance, and corporate social responsibility and environmental, of the Company.

As regards for the calculation of the annual variable remuneration of the Director and General Counsel, it is also followed a predetermined and measurable criteria, which are set by the Chairman of the Board of Directors, following the same criteria as for the rest of the management of the Company, that amount is approved by the Board of Directors on the proposal of the Nomination and Compensation Committee.

The CEO and the Director and General Counsel have accrued in 2010 an annual variable remuneration of 362 thousand euros¹ and 384 thousand euros, respectively.

C. Multi-annual variable remuneration

Since 2000, the Nomination and Compensation Committee (formerly the Selection and Compensation Committee) of the Board of Directors of Repsol YPF has been implementing a loyalty-building program geared initially toward executives and extendable to other people with responsibilities within the Group. This program consists of setting a medium-/long-term incentive, as part of the remuneration system.

At the end of the 2010 fiscal year, the 2007-2010, 2008-2011, 2009-2012 and 2010-2013 incentive plans were in effect, although it is worth noting that the first of the above-mentioned programs (2007-2010) was closed, in accordance with its terms, on December 31, 2010, and its beneficiaries will receive their respective variable remuneration in the first quarter of 2011, after evaluation the degree of achievement of their objectives.

The said programs are separate from each other, but their primary characteristics are the same. In all cases, these are specific multiple year remuneration plans for the fiscal years

¹ The statutory attentions for being member of the administrative bodies of the Repsol YPF Group and participated Companies are deducted from the CEO's annual variable remuneration.

included in each one of them. Each plan is tied to the achievement of a series of Group strategic objectives. The achievement of the respective objectives gives the beneficiaries of each plan the right to receive the medium-term variable remuneration in the first quarter following the fiscal year in which it ends. Nevertheless, in each case, the receipt of the incentive is tied to the beneficiary remaining in the service of the Group until December 31 of the last fiscal year in the program, with the exception of the special cases discussed in its specific terms.

In all the incentive plans, if obtained, would consist of an amount determined at the time of its granting, applying a first variable coefficient, in accordance with the degree of achievement of the objectives set out, additionally multiplied by a second variable coefficient, tied to the beneficiary's performance throughout the period covered by the program.

None of the four plans implies the delivery of shares or options to any of its beneficiaries, nor is it pegged to the value of Repsol YPF stock.

The CEO does not participate in any of the incentive programs in force at this time. Nevertheless, the degree of achievement of the program expiring each year will be taken as reference for the determination of the multi-annual variable remuneration of each year which will be paid in the following year.

The Director and General Counsel is a beneficiary of 2007-2010, 2008-2011, 2009-2012 and 2010-2013 programs.

During 2010, the CEO and the Director and General Counsel have accrued a gross value of 1,207 thousand euros and 280 thousand euros, respectively, for this concept.

Inside the Board, this remuneration concept is only applicable to Executive Directors.

D. Welfare systems

Repsol YPF considers that the remuneration package of the Executive Directors must have a composition in accordance with markets trends. In this regard, the remuneration previously detailed is complemented with a welfare system.

An insurance policy covers the retirement, disability and decease contingencies of the CEO, with Repsol YPF acting as policyholder.

In case of termination of his relationship with Repsol YPF, the CEO will acquire the ownerships of the funds. The CEO is the beneficiary in case of retirement and disability. In case of decease, the beneficiaries are those appointed by the CEO.

The Director and General Counsel is a beneficiary of the Loyalty Premium (*Premio de Permanencia*), a remuneration concept of deferred payment. The purpose of this concept, implemented through a Securities Investment Fund (*Fondo de Inversión Mobiliaria – FIM*) called Loyalty Fund (*Fondo de Permanencia*), is to reward his continuance in Repsol YPF Group.

Annually Repsol YPF contributes to FIM, under the form of participations, a 20% of the annual fixed remuneration of the Director and General Counsel. The Company is the owner of such participations until retirement of the Director and General Counsel. Upon his retirement, the Director and General Counsel will be the owner of the participations. In addition, in case of termination of his contract (when he is entitled to severance payments) and upon his 62 birthday, he will be entitled to receive the accumulated amount of the Loyalty Premium.

He is also participant of the Repsol YPF pensions' plan of defined contribution, which maximum annual contribution was collectively agreed on 7,212 euros.

In addition, he is the beneficiary of a decease and disability insurance policy, with Repsol YPF acting as policyholder.

The cost of the retirement, disability and death insurance policies and of the contributions to pension plans and to the prevision plans, including, as pertinent, those pertaining to entries on account, which the Company has incurred for Executives Directors, amounted to a total of 2,784 thousand euros in 2010. Of this amount, in the case of the CEO, 208 thousand euros correspond to his death insurance policy, 2,288 thousand euros correspond to the cost of the retirement insurance; in the case of the Director and General Counsel, 90 thousand euros correspond to his death insurance policy, 7 thousand euros to the contributions for the pension plan and to the cost of the retirement insurance, and 192 thousand euros for the contributions to the Loyalty Premium.

Non-Executive Directors are not beneficiaries of any other Repsol YPF welfare system instrument.

E. Other payments

In addition, in 2010 the expenses related to remuneration in kind of the Executive Directors amounted to 51 thousand euros, with respect to the CEO, and 2 thousand euros, with respect to the Director and General Counsel.

The Non-Executive Directors have not received any remuneration in kind.

F. Other contractual conditions

All the Board members are covered by the same third-party liability insurance policy as that covering all the directors and executives of Repsol YPF Group.

G. Other contractual conditions of the Executive Directors

The CEO and the Director and General Counsel are entitled to a Deferred Economic Compensation in the event of termination of their relation with the Company, equivalent to three years' total monetary remuneration, plus one year's total monetary remuneration in compensation for the non-competition agreement for the year following termination.

The Deferred Economic Compensation will be paid to the Executive Directors provided termination of the relation with the Company is due to causes attributable to the Company or by mutual agreement or, in the case of the Director and General Counsel, is due to objective circumstances such as an important change in the Company's share capital ownership.

This report was formulated by the Board of Directors of Repsol YPF in its meeting held on February 23, 2011.