

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

DETAILS OF ISSUER

DATED END OF YEAR

2015

TAX REGISTRATION NUMBER: A78374725

Name: REPSOL, S.A.

Registered office: C/ Méndez Álvaro, 44 28045 Madrid

ANNUAL CORPORATE GOVERNANCE REPORT
LISTED COMPANIES

Read the instructions at the end of this report to correctly understand and complete the form.

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital (€)	Number of shares	Number of voting rights
06-07-2015	1.400.361.059	1.400.361.059	1.400.361.059

Indicate whether there are different classes of shares with different associated rights:

Yes ☐ No ☒

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Indirect voting rights		Interest / total voting rights (%)
		Direct holder of the interest	Number of voting rights	
Sacyr , S.A.	0	Sacyr Participaciones Mobiliarias, S.L.	122,208,433	8.73
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona	0	CaixaBank,S.A.	170,882,143	12.20
Temasek Holdings (Private) Limited	0	Chembra Investments Pte. Ltd	71,495,202	5.11

Indicate the principal movements in the shareholding structure during the year:

Name of shareholder	Date of transaction	Description of the transaction
Blackrock, Inc	15/06/2015	Interest lowered to below 3% of capital
Blackrock, Inc	19/06/2015	Interest raised to over 3% of the capital
Blackrock, Inc	07/12/2015	Interest lowered to below 3% of capital

A.3 Complete the following tables on directors' voting rights corresponding to shares in the company:

Name of director	Number of direct voting rights	Indirect voting rights		Interest / total voting rights (%)
		Direct holder of the interest	Number of voting rights	
Antonio Brufau Niubó	431,760	Isabel López-Marin Pérez	978	0.031
Isidro Fainé Casas	31,368	-	-	0.002
Manuel Manrique Cecilia	119	Cymofag, S.L.U.	1.045	0.000
Josu Jon Imaz	89,750	-	-	0.006
Artur Carulla Font	69,761	-	-	0.005
Luis Carlos Croissier Batista	1,478	Affidavit Imagen y Comunicación, S.L.	604	0.000
Rene Dahan	31,454	-	-	0.002
Ángel Duráñez Adeva	10,706	-	-	0.001
Javier Echenique Landiribar	-	Bilbao Orvieto, S.L.	21.219	0.002

Mario Fernández Pelaz	4,934	-	-	0.000
María Isabel Gabarró Miquel	10,345	Francisco Miró-Sans Balcells	1,512	0.001
		Amtrak, S.L.	3,297	
José Manuel Loureda Mantiñán	65	Prilou, S.L.	75.486	0.005
Gonzalo Gortázar Rotaèche	10,000	0		0.001
Henri Philippe Reichstul	50	0		0.000
J. Robinson West				0.000
Luis Suárez de Lezo Mantilla	37,906	0		0.003

Total % of voting rights held by board members	0.060%
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Complete the following tables on directors with stock options in the company:

Name or corporate name of the director	Number of direct stock options	Indirect options		Equivalent number of shares	% of total stock options
		Direct holder	Number of options		

- A.4** Indicate family, commercial, contractual or corporate relationships among controlling shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties	Type of relationship	Brief description

- A.5** Indicate commercial, contractual or corporate relationships between controlling shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties	Type of relationship	Brief description
Caja de Ahorros y Pensiones de Barcelona	Corporate	Repsol and Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona (controlling shareholder of Caixaholding Bank, S.A.U. and CaixaBank, S.A.) participate in Gas Natural SDG, S.A., which has as business purpose, among other activities, supply, production, piping and distribution of any type of combustible gas. Repsol and Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona have also signed an agreement in relation to Gas Natural SDG, S.A., considered by both entities as a concerted action of which the Comisión Nacional del Mercado de Valores (CNMV) has been duly notified.

A.6 State whether the company has been notified of any shareholders' agreements that may affect it pursuant to the Companies Act articles 530 and 531. If any, describe them briefly and list the shareholders related by the agreement:

Yes ☐ No ☒

Parties to shareholders' agreement	% of capital affected	Brief description of agreement

Indicate and describe any concerted actions among company shareholders of which the company is aware:

Yes ☐ No ☒

Parties to concerted action	% of capital affected	Brief description of arrangement

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year:

A.7 Indicate any individuals or entities that exercise or may exercise control over the company in

pursuance of section 5 of the Securities Market Act:

Yes ☐ No ☒

Name

Comments

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
23,634	18,023,772	1,252%

(*) Through:

Name of direct holder of the shares	Number of direct shares
Repsol Tesorería y Gestión Financiera, S.A.	18,023,772
Total:	18,023,772

Give details on any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Date of communication	Total direct shares acquired	Total indirect shares acquired	% of capital

A.9. Indicate the term and conditions of the authorisation granted by the General Meeting to the Board to issue, buy back or sell own shares.

The Annual General Meeting of Shareholders of Repsol, S.A. held on first call on March 28, 2014, adopted the following resolution under item twenty on the Agenda:

"First. To authorize the Board of Directors for the derivative acquisition of shares of Repsol, S.A., by sale, purchase, exchange or any other onerous legal business modality, directly or through subsidiaries, up to a maximum number of shares, that added to those already own by Repsol, S.A. and its subsidiaries, not exceeding 10% of the share capital and for a price or equivalent value that may not be lower than the nominal value of the shares nor exceed the quoted price on the stock market.

The authorization includes the acquisition of shares that, if any, may be disbursed among the employees and directors of the Company and its Group or used to satisfy the exercise of option rights that such persons may hold.

This authorization, which is subject to the compliance of all other applicable legal requirements, shall be valid for 5 years, counted as from the date of the present General Shareholders Meeting, and leaves without effect the authorization granted by the Ordinary General Shareholders Meeting held on April 30, 2010 under the sixth point on the Agenda.

Second. To authorize the Board of Directors to delegate, pursuant to the provisions of article 249.2 of Companies Act, the delegated powers contemplated in section first of these resolutions.”

A.9. bis Estimated free float share capital

	%
Estimated free float share capital	73.96

A.10 State whether there are any constraints on the transferability of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of constraint or limitation that may hamper takeover of the company through the acquisition of its shares on the market.

Yes ☒ No ☐

Description of constraints
<p>Article 34 of Royal Decree-Law 6/2000 establishes certain constraints on the exercise of voting rights in more than one principal operator in any one market or sector. Among others, it lists the fuel production and distribution, liquefied petroleum gas production and supply and natural gas production and supply markets. The principal operators are the entities holding the five largest shares of the market in question.</p> <p>These constraints are as follows:</p> <ul style="list-style-type: none"> – Individuals or entities directly or indirectly holding more than 3% of the capital or voting rights of two or more principal operators on the same market may not exercise the voting rights corresponding to the excess over that percentage in more than one of such operators. – No principal operator may exercise the voting rights corresponding to an interest of more than 3% in the capital of another principal operator on the same market. <p>These constraints shall not be applicable to parent companies that are principal operators in respect of their subsidiaries that are in the same position, provided this structure is imposed by law or the result of a mere redistribution of securities or assets among group companies.</p> <p>The Comisión Nacional de los Mercados y Competencia, regulator of the energy market,</p>

may authorise exercise of the voting rights corresponding to the excess provided this does not favour the exchanging of strategic information or imply any risks of coordination of their strategic actions.

Act 3/2013, of 4 June, which created the National Markets and Competition Commission (Comisión Nacional de los Mercados y de la Competencia, CNMC) establishes a procedure for controlling certain business operations in the energy sector, among them the acquisition of interests in companies involved in certain activities related to liquid hydrocarbons or that own shares in the strategic energy sector (oil refineries, oil pipelines and oil product storage). In particular, in cases where a buyer acquires a percentage of the capital of an energy company affected by this Law which gives the buyer significant influence over the management of that company, the buyer will be obligated to notify the CNMC of the transaction. If the buyer is not a national of the EU or the EEE and if it were considered to pose a real and sufficiently serious threat to the supply of hydrocarbons, special conditions could be established for the business operations of the affected companies or the buyer.

- A.11** Indicate whether the General Meeting has resolved to apply the breakthrough rule against a takeover bid, under Act 6/2007:

Yes ☐ No ☒

If yes, explain the measures approved and the terms on which the restrictions will become ineffective:

- A.12** State whether the company has issued any shares that are not traded on an EU regulated market:

Yes ☒ No ☐

If yes, indicate the different classes of shares and, for each class, the rights and obligations conferred.

At 31 December 2015, Repsol shares in the form of *American Depositary Shares* (ADSs) are listed on the OTCQX market.

In addition, the shares in Refinería La Pampilla, S.A. are listed on the Lima Stock Exchange.

B GENERAL MEETING

- B.1** Indicate whether there are any differences between the quorums established for General Meetings and the minimums stipulated in the Companies Act and, if any, explain:

Yes ☐ No ☒

	% quorum differing from that stipulated in the Companies Act article 193 for ordinary resolutions	% quorum differing from that stipulated in the Companies Act article 194 for special resolutions
Quorum required on 1st call		
Quorum required on 2nd call		

Description of the differences

B.2 Indicate whether there are any differences in respect of the system stipulated in the Companies Act for adopting corporate resolutions and, if any, explain:

Yes ☒ No ☐

What differences exist in respect of the system stipulated in the Companies Act?

	Larger majority than that established in the Companies Act article 201.2 for cases contemplated in article 194.1	Other cases requiring a larger majority
% established by the company for adopting resolutions		75%
Describe the differences		
<p>On both, first and second call the favourable vote of 75% of the voting capital attending the general meeting is required to validly adopt resolutions on the following matters:</p> <ul style="list-style-type: none"> • Alteration of Articles 22A and 44A of the Articles of Association on related party transactions and directors' prohibition from competing. • Authorisation of related party transactions in the cases contemplated in Article 22A of the Articles of Association. • Releasing of a director from his obligation to not compete, pursuant to Article 44A of the Articles of Association. • The amendment of this special regulation. 		

B.3 Indicate the rules to amend the company's Articles of Association. In particular, indicate the majorities stipulated for amend the Articles of Association and the rules, if any, protecting shareholders' rights in any amendment of the articles.

The Articles of Association of Repsol do not establish different conditions for altering articles of association from those set down in the Companies Act, except as provided in Article 22, which provides that to alter Articles 22A ("Related party transactions"), 44A ("No competition obligation"), and the special rule on alteration of the Articles of Association set out in Article 22, which requires the favourable vote of seventy-five per cent (75%) of the voting capital attending the general meeting on both first and second call.

Article 22 provides that annual and extraordinary general meetings must be attended on first call, in person or by proxy, by shareholders holding at least fifty per cent (50%) of the voting capital in order to adopt valid resolutions to alter the Articles of Association. On second call, the attendance of twenty-five per cent (25%) of that capital will be sufficient.

If a general meeting is attended by less than fifty per cent (50%) of the voting capital, resolutions altering the articles may only be validly adopted with the favourable vote of two-thirds of the capital present or represented at the general meeting.

B.4 Give details of attendance of general meetings held during the year of this report and the previous year:

Date General Meeting	Details of Attendance				
	% in person	% by proxy	% distance voting		Total
			Electronic vote	Others	
28-03-2014	30.62	31.20	0	2.50	64.32
30-04-2015	21.40	35.79	0	4.05	61.24

B.5 Indicate if there are any restrictions established in the articles of association requiring a minimum number of shares to attend general meetings

Yes ☐ No ☒

Number of shares required to attend general meetings	
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B.6 Section repealed.

B.7 Indicate the address and the way to access to the company's website, and where to find information on corporate governance and other information on general meetings that must be made available to shareholders through the company's website.

The contents of corporate governance and other information about the last general meetings are directly accessible through the corporate website of Repsol, S.A., www.repsol.com, in the

section “Information for shareholders and investors, Corporate Governance”, http://www.repsol.com/es_en/corporacion/accionistas-inversores/gobierno-corporativo/default.aspx.

C MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 Maximum and minimum numbers of directors stipulated in the articles of association:

Maximum number of directors	16
Minimum number of directors	9

C.1.2 Give details of the board members:

Name of director	Representative	Condition	Position on Board	Date first appointment	Date latest appointment	Election procedure
Antonio Brufau Niubó		External	Chairman	23-07-1996	30-04-2015	Vote at General Meeting
Isidro Fainé Casas		Proprietary	Deputy-Chairman	19-12-2007	31-05-2012	Vote at General Meeting
Manuel Manrique Cecilia		Proprietary	Deputy-Chairman	25-04-2013	31-05-2013	Vote at General Meeting
Josu Jon Imaz		Executive	CEO	30-04-2014	30-04-2015	Vote at General Meeting
Artur Carulla Font		Independent	Member	16-06-2006	28-03-2014	Vote at General Meeting
Luis Carlos Croissier Batista		Independent	Member	09-05-2007	30-04-2015	Vote at General Meeting
Rene Dahan		Proprietary	Member	31-05-2013	31-05-2013	Vote at General Meeting
Ángel Durández Adeva		Independent	Member	09-05-2007	30-04-2015	Vote at General Meeting
Javier Echenique Landiribar		Independent	Member	16-06-2006	28-03-2014	Vote at General Meeting

Mario Fernández Pelaz		Independent	Member	15-04-2011	30-04-2015	Vote at General Meeting
María Isabel Gabarró Miquel		Independent	Member	14-05-2009	31-05-2013	Vote at General Meeting
José Manuel Loureda Mantiñán		Proprietary	Member	31-01-2007	30-04-2015	Vote at General Meeting
Gonzalo Gortázar Rotaeché		Proprietary	Member	30/04/2015	30/04/2015	Cooptation
Henri Philippe Reichstul		Independent	Member	29-12-2005	28-03-2014	Vote at General Meeting
J. Robinson West		Independent	Member	28-01-2015	30-04-2015	Vote at General Meeting
Luis Suárez de Lezo Mantilla		Executive	Member & Secretary	02-02-2005	31-05-2013	Vote at General Meeting

Total Number of Directors	16
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Indicate any retirements from the board during the reporting period:

Name of director	Type of director at time of retirement	Date of retirement
Juan María Nin Génova	Proprietary	30-04-2015

C.1.3 Complete the following tables on the categories of the board members:

EXECUTIVE DIRECTORS

Name of Director	Position in company's organisation
Josu Jon Imaz	CEO
Luis Suárez de Lezo Mantilla	Director, Company Secretary and Secretary of the Board

Total number of executive directors	2
% of board	12.5

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name of Director	Name of controlling shareholder represented or that proposed appointment
Isidro Fainé Casas	CaixaBank, S.A.
Gonzalo Gortázar Rotaeché	CaixaBank, S.A.
Manuel Manrique Cecilia	Sacyr, S.A.
José Manuel Loureda Mantiñán	Sacyr, S.A.
Rene Dahan	Temasek Holdings (Private) Limited

Total number of proprietary directors	5
% of board	31.25

NON-EXECUTIVE INDEPENDENT DIRECTORS

Name of director	Profile
Artur Carulla Font	Graduate in Economics. His professional career began in 1972 when he joined Arbora & Ausonia, S.L., where he occupied various positions before being named its Managing Director. In 1988 he joined Agrolimen as Director of Strategy. In 2001 he was named Managing Director of Agrolimen, S.A. Currently, he is Chairman of Agrolimen, S.A. and its participated companies; Affinity Petcare, S.A., The Eat Out Group, S.L. and Roger Goulart, S.A.; Member of the Regional Board of Telefónica in Catalonia, member of Advisory Board of EXEA Empresarial, S.L. and member of Advisory Board of Roca Junyent. He is also Vice-Chairman of Círculo de Economía, Member of Foundation Carulla, Member of IAB (International Advisory Board) of the Generalitat de Catalunya, Member of the Management Board of Instituto de la Empresa Familiar and Member of Foundation MACBA (Museo de Arte Contemporáneo de Barcelona).
Luis Carlos Croissier Batista	He has been the professor in charge of economic policy of the Universidad Complutense of Madrid. During his long professional tenure, amongst other positions, he was Subsecretary of the

	Ministry of Industry and Energy, President of the National Institute of Industry (Instituto Nacional de Industria, I.N.I.), Minister of Industry and Energy and President of Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores). Currently he is Director of Adolfo Domínguez, S.A., N+1-Dinamia, S.A. and Sole Director of Eurofocus Consultores, S.L.
Mario Fernández Pelaz	Graduate in Law at Deusto University in 1965. He has been Professor of Mercantile Law in the Faculty of Law of Deusto University and in the Faculty of Business Science at the same University, and Professor of different Masters at Deusto University. In his long professional career, he has served, among other charges, as Minister and later Vice-president of the Basque Government, Chairman of the Central Administration-Basque Government Transfers Mixed Committee, Chairman of the Basque Financial Council, Chairman of the Economic Committee of the Basque Government, Member of the Arbitration Committee of the Basque Autonomous Community. He was also Executive Director of BBVA Group and member of the Executive Committee from 1997 to 2002, and Main Partner of Uría Menéndez from that date to June 2009. From July 2009 to November 2013 he has been Chairman of BBK. He has been Executive Chairman of Kutxabank, S.A. Chairman of its Risk Delegate Committee and Chairman of its Executive Committee, and Vicechairman of Confederación Española de Cajas de Ahorros (CECA). He is also Consul of the Bilbao Consulate and Illustrious of Bilbao. He has also published on mercantile and financial matters.
Ángel Durández Adeva	BA Economics, Professor of Commerce, chartered accountant and founding member of the Registry of Economic Auditors. He joined Arthur Andersen in 1965 where he was Partner from 1976 to 2000. Up to

	<p>March, 2004 he headed the Euroamerica Foundation, of which he was founder, entity dedicated to the development of business, political and cultural relationships between the European Union and the different Latin American Countries. Currently he is Director of Mediaset España, S.A., Director of Quantica Producciones, S.L., Director of Ideas4all, S.L., Member of the Advisory Board of FRIDE (Foundation for the international relations and the foreign development), Chairman of Arcadia Capital, S.L. and Información y Control de Publicaciones, S.A., Member of the Advisory Board of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vice-President of Foundation Euroamérica.</p>
Javier Echenique Landiribar	<p>BA Economics and Actuarial Science. Former Director-General Manager of Allianz-Ercos and General Manager of BBVA Group. Currently Vice chairman of Banco Sabadell, S.A., Director of Telefónica Móviles México, Actividades de Construcción y Servicios (ACS), S.A., Grupo Empresarial Ence, S.A. and Delegate of the Board of Telefónica, S.A. in the Basque region, Member of the Advisory Board of Telefónica Spain, Member of Foundation Novia Salcedo, Foundation Altuna and Member of the Círculo de Empresarios Vascos.</p>
María Isabel Gabarró Miquel	<p>Graduate in Law at the University of Barcelona in 1976. In 1979 she joined the Bar of Notaries. She has been a board member of important entities in different sectors: financial, energy, telecommunications, infrastructure and also property, where she was also a member of the Nomination and Compensation Committee and of the Audit and Control Committee. Currently, she is registered on the Bar of Notaries of Barcelona, since 1986, and is a member of the Sociedad Económica Barcelonesa de Amigos del País.</p>
Henri Philippe Reichstul	<p>Ba Economics, University of São Paulo and Phd at Hertford College, Oxford. Former Secretary of the State Business Budget Office and Deputy Minister of Planning in Brazil.</p>

	<p>From 1988 to 1999 he held the position of Executive Vice President of Banco Inter American Express, S.A. From 1999 to 2001 he was Chairman of Brazilian State Oil Company Petrobrás. He is Member of the Advisory Board of Lhoist do Brasil Ltda., Member of the Advisory Board of AES Brasil, Member of the Supervisory Board of Peugeot Citroen, S.A., Member of the Supervisory Board of Fives Group,, Member of the Board of Directors of LATAM Airlines Group, Member of the Board of Directors of BRF S.A., Member of the Board of Directors of Semco Partners and Vice-Chairman of the Board of the Brazilian Foundation for Sustainable Development.</p>
J. Robinson West	<p>Graduate of the University of North Carolina Chapel Hill and Jurist Doctor from Temple University Law School in Philadelphia. West is an international expert in energy markets, especially all areas related to oil&gas. In 1984 he founded PFC Energy, a company over which he presided until 2013.</p> <p>He has held positions of responsibility in government with different administrations. Working as the Secretary of the Interior under Ronald Reagan, he developed and implemented the five-year lease of the US continental platform, organising the largest non-financial auction in the world. During Gerald Ford's presidency, he worked for the White House and the Secretary of Defence for International Economic Affairs, for which he received the Medal of Defence in recognition of his civil service.</p> <p>He currently serves as a senior adviser to the <i>Energy & National Security Program</i> at the <i>Centre for Strategic & International Studies</i> (CSIS), a non-profit organisation headquartered in Washington which advises governments and public & private enterprises in their search for an analysis of solutions for the energy sector.</p> <p>He is also a member of the National</p>

	Petroleum Council, Co-President of the <i>German Marshall Fund of the US</i> and President emeritus of the United States Peace Institute.
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Total number of independent directors	8
% of board	50

State whether any director qualified as independent receives from the company or any other company in the same group any sum or gain other than directors' emoluments, or has or has had a business relationship with the company or any other company in its group during the past year, in his/her own name or as controlling shareholder, director or senior executive of a company which has or has had such a relationship.

If appropriate, include a reasoned statement by the board explaining why it considers that the director in question can perform his/her duties as an independent director.

Name of director	Description of relationship	Reasoned statement

OTHER EXTERNAL DIRECTORS

State other external directors and explain why they cannot be considered proprietary or independent directors and their relationships, with the company or its executives or with the shareholders:

Name of director	Reasons	Company, executive or shareholder with which the director is related
Antonio Brufau Niubo	Mr. Brufau was the Executive Chairman of Repsol until 30 April 2015.	Repsol, S.A.

Total number of other non-executive directors	1
% of board	6.25

Indicate any variations during the reporting period in the category of each director:

Name of director	Date of change	Previous category	Present type
Antonio Brufau Niubo	30-04-2015	Executive	Other External

C.1.4 Complete the following table with details of the number of female directors at the year-end for the past 4 years and the category of female directors:

	Number of female directors				Female directors / total directors of each category (%)			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	-	-	-	-	-	-	-	-
Proprietary	-	-	-	-	-	-	-	-
Independent	1	1	2	2	12.5%	14.28%	25%	25%
Other non-executive	-	-	-	-	-	-	-	-
Total	1	1	2	2	6.25%	6.67 %	12.5%	13.3%

C.1.5 Explain any measures taken to endeavour to include in the board a number of women to give a balanced composition of men and women directors

Explanation of measures
<p>Article 32 of the company's articles of association stipulates that both the general meeting and the board, exercising its power to propose to the board and cooptation to fill vacancies, shall endeavour to apply policies of professional, international and gender diversity and diversity of knowledge and experiences in respect of the composition of the board.</p> <p>The Regulations of the Board also include this provision and also expressly assigns to the Nomination Committee the duty to: (i) ensure that the policies for selecting directors favours knowledge, experience and gender diversity and (ii) set a target for the gender least represented on the board of directors and devise a strategy for achieving that goal.</p> <p>In this regard, the board of directors, with the support of the Nomination Committee, has approved the Director Selection Policy of Repsol, S.A. in order to formalise in a special publish instrument the guidelines for the process of selecting candidates to be Repsol directors. The policy contains specific goals regarding the presence of women directors on the board by the year 2020 and the functions of the Nomination Committee throughout the selection process.</p> <p>Furthermore, it is noted that in the most recent selection processes, the Nomination Committee has ensured that there are no implicit biases that may hinder the access of women to the vacancies. It evaluated the skills, knowledge and expertise of all the candidates according to the needs of the governing bodies at any time, assessing the dedication necessary to be able to</p>

suitably perform their duties in the light of the principles contained in the Board Regulations.
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C.1.6 Explain any measures agreed by the nomination committee to ensure that the selection procedures are not implicitly biased against the selection of female directors and that a conscious effort is made to include women with the target profile among the candidates:

Explanation of measures
See previous section above.
In 2012 the Nomination Committee (formerly the Nomination and Compensation Committee) submitted a proposal to the Board to alter the Articles of Association and Regulations of the Board to incorporate diversity policies as a guideline to be followed by the Board when selecting new candidates, both to fill vacancies by cooptation and to propose the appointment of new directors to the general meeting. The institutionalisation of a policy which promotes professional, international (nationality) and gender while taking account of the business requirements of Repsol from time to time helps to enrich the internal culture of the company and decision-making processes by contributing new experiences and points of view.
Moreover, the Nomination Committee was charged with making a proposal to the Board of Directors to approve the Director Selection Policy which contains a specific goal relative to the presence of women directors on the Board of Directors by the year 2020.

If, despite the measures taken, if any, there are few or no female directors, explain the reasons that justify this situation:

Explanation of reasons
See sections above.

C.1.6 bis Explain the conclusions of the nomination committee on the verification of compliance with the directors' selection policy. In particular, how the policy is promoting the goal that by 2020 the number of female directors represent at least 30% of the total members of the board.

Because the Director Selection Policy was recently approved by the Board of Directors on 14 December 2015, the Nomination Committee has not had a chance to verify compliance with the policy.
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With regard to the target that by 2020 the number of directors representing at least 30% of members of the Board of Directors, the Selection Policy of Directors of Repsol expressly provides guidelines to be followed by all selection process, candidates for Director shall be persons whose appointment promotes gender
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diversity within the Board of Directors and the Nomination Committee shall oversee that the selection process is free from any implied bias entailing any kind of discrimination, and, in particular, it shall make a conscious effort to include females with the target profile among the potential candidates, endeavoring to ensure that by year 2020, the number of female Directors represent at least 30% among the total members of the Board of Directors.

C.1.7 Explain the form of representation on the board of shareholders with significant interests.

All controlling shareholders with the right to proportional representation are represented on the Repsol board of directors.

C.1.8 Explain, if appropriate, why proprietary directors have been appointed at the request of shareholders holding less than 3% of the capital:

Name of shareholder	Explanation

State whether any formal requests for presence on the board have been rejected from shareholders holding interests equal to or greater than others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were not met.

Yes ☐ No ☒

Name of shareholder	Explanation

C.1.9 State whether any director has retired before the end of his/her term of office, whether said director explained the reasons for such decision to the Board and through what means, and if the explanations were sent in writing to the entire Board, explain below at least the reasons given by the director:

Name of director	Reason for retirement
Juan María Nin Génova	Letter of 29 April 2015 communicating the termination of his executive functions within the La Caixa Group.

C.1.10 Indicate the powers delegated to the Managing Director(s), if any:

Name of director	Brief description
Josu Jon Imaz	All powers of the Board except those that are legally or statutory non delegable.

C.1.11 Name Board members, if any, who are also directors or executives of other

companies in the same group as the listed company:

Name of director	Name of Group company	Position
Josu Jon Imaz	Repsol Energy Resources Canada, Inc.	Director
Luis Suárez de Lezo Mantilla	Repsol Energy Resource Canada, Inc.	Director

C.1.12 Name the company directors, if any, who are on the Boards of non-group companies listed on stock exchanges, insofar as the company has been notified:

Name of director	Listed company	Position
Antonio Brufau Niubó	Gas Natural SDG,S.A.	Vice-Chairman
Luis Suárez de Lezo Mantilla	Gas Natural SDG, S.A.	Director
Isidro Fainé Casas	Telefónica, S.A.	Deputy Chairman
Isidro Fainé Casas	CaixaBank, S.A.	Chairman
Isidro Fainé Casas	The Bank East of Asia, Limited	Director
Isidro Fainé Casas	Banco Português de Investimento, S.A.	Director
Isidro Fainé Casas	Suez Environnement Company	Director
Manuel Manrique Cecilia	Sacyr, S.A.	Chairman and CEO
Gonzalo Gortázar Rotaache	CaixaBank, S.A.	CEO
Gonzalo Gortázar Rotaache	Grupo Financiero Inbursa	Director
Gonzalo Gortázar Rotaache	Erste Group, AG	Member, Advisory Board
Luis Carlos Croissier Batista	Adolfo Domínguez, S.A.	Director
Luis Carlos Croissier Batista	N+1 Dinamia, S.A.	Director
Ángel Duráñez Adeva	Mediaset España, S.A.	Director
Javier Echenique Landiribar	Banco Sabadell, S.A.	Deputy Chairman
Javier Echenique Landiribar	Actividades de Construcción y Servicios (ACS), S.A.	Director
Javier Echenique Landiribar	Grupo Empresarial ENCE, S.A.	Director
Henri Philippe Reichstul	BRF, S.A.	Director

C.1.13 Explain whether the board regulations provides rules on the maximum number of directorships its directors may hold:

Yes ☒ No ☐

Explanation of the rules
Article 18 of the Board of Directors Regulations provides in its section 5 the following:

“Directors may not hold more than four (4) other mandates in other listed companies different from Repsol, S.A. To these effects:

a) It will be considered as one single mandate all those mandates held in companies belonging to the same group as well as those Board memberships held as proprietary director proposed by a company of said group although the stock held in the company or the level of control may not qualify to consider said company as part of the group; and

b) Board memberships in holding companies or companies ancillary to the development of the professional services of the own Director, the spouse, persons having equivalent emotional ties or closest family.

Exceptionally and due to reasons properly justified, the Board may waive the Director from this prohibition. In addition, the Director shall inform the Nomination and Compensation Committee of any other professional obligations they may have and any material changes in their professional situation, as well as any that may affect the nature or condition by virtue of which they have been appointed Director.”

C.1.14 Section repealed.

C.1.15 Indicate the overall remuneration of the board:

Remuneration of the board (thousand euros)	12,831
Amount of the vested rights of current directors in pension schemes (thousand euros)	3,385
Amount of the vested rights of former directors in pension schemes (thousand euros)	0

C.1.16 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name or corporate name	Position/s
Miguel Martínez San Martín	CFO
Pedro Fernández Frial	ED Strategy, Sustainability and Technical Secretary
Cristina Sanz Mendiola	ED People & Organisation
Begoña Elices García	ED Communication & Chairman’s Office
Luis Cabra Dueñas	ED Exploration & Production
M ^a Victoria Zingoni	ED Downstream (from 8 May 2015)
Isidoro Mansilla Barreiro	Corporate Director of Audit and Control
Miguel Klingenberg Calvo	ED Legal Affairs (from 8 May 2015)
Antonio Lorenzo Sierra	ED Planning, Control and Global Solutions (from 8 May 2015)
Nemesio Fernández-Cuesta Luca de Tena	ED Sales, Chemicals & Power

	(through 25 February 2015)
Total remuneration top management (thousand euros)	13,503

C.1.17 Name any board members who are also on the boards of companies of significant shareholders and/or in companies of its group:

Name of director	Name of significant shareholder	Position
Isidro Fainé Casas	Fundación Bancaria Caixa d'Estalvis y Pensions de Barcelona	Chairman
Isidro Fainé Casas	Criteria Caixa, S.A.U.	Chairman
Gonzalo Gortázar Rotaeché	VidaCaixa, S.A.U.	Chairman
José Manuel Loureda Mantiñán	Valoriza Gestión, S.A (Grupo Sacyr)	Chairman
José Manuel Loureda Mantiñán	Sacyr, S.A.U. (Grupo Sacyr)	Director
José Manuel Loureda Mantiñán	Somague S.G.P.S., S.A. (Grupo Sacyr)	Director
Manuel Manrique Cecilia	Sacyr, S.A.	Chairman & CEO
Manuel Manrique Cecilia	Sacyr Construcción, S.A.U. (Grupo Sacyr)	Chairman & CEO
Manuel Manrique Cecilia	Sacyr Concesiones, S.L. (Grupo Sacyr)	Chairman & CEO
Manuel Manrique Cecilia	Valoriza Gestión, S.A. (Grupo Sacyr)	Director
Manuel Manrique Cecilia	Sacyr Fluor, S.A. (Grupo Sacyr)	Director
Manuel Manrique Cecilia	Somague SGPS, S.A.	Vice-Chairman

Describe the significant relationships other than those contemplated above of the board members with the controlling shareholders and/or companies in their group:

Name of related director	Name of related controlling shareholder	Description of relationship
José Manuel Loureda Mantiñán	Sacyr , S.A.	Indirect holder of 7.81% of the capital of Sacyr, S.A. through Prilou, S.L. and Prilomi, S.L.
José Manuel Loureda Mantiñán	Sacyr , S.A.	Representative of Prilou, S.L. on the board of Sacyr Vallehermoso, S.A.

Manuel Manrique Cecilia	Sacyr , S.A.	Indirect holder of 5.272% of the capital of Sacyr Vallehermoso, S.A. through Cymofag, S.L.U.
Manuel Manrique Cecilia	Sacyr Vallehermoso Participaciones Mobiliarias,S.L.	Representative of Sacyr, S.A. as Sole Director
Manuel Manrique Cecilia	Sacyr Gestión de Activos, S.L.	Representative of Sacyr, S.A. as Sole Director
Manuel Manrique Cecilia	Sacyr Finance, S.A.	Representative of Sacyr, S.A. as Sole Director

C.1.18 State whether any modifications have been made during the year to the Regulations of the Board:

Yes ☒ No ☐

Description of modifications
<p>On 25 June 2015, the Board of Directors resolved to amend the Regulations of the Board in order to adapt the wording to: (i) the latest changes made in the amended Capital Companies Act and the new Code of Good Governance for listed companies; (ii) the comments of the directors regarding the organisation and operation of the Board of Directors contained in the report of the external adviser engaged for this purpose, Egon Zhender; (iii) the inclusion of Talisman Energy in the Repsol Group; and (iv) the appropriateness of revising downward the threshold of the economic investments that must be approved by the Board of Directors' Delegate Committee.</p> <p>These changes have reinforced the functions of the Board of Directors and its Committees. Among other things, the decision was made to split the Nomination and Remuneration Committee into two separate committees and to create a Sustainability Committee to replace the Strategy, Investment and Corporate Responsibility Committee.</p>

C.1.19 Describe the procedures for selection, appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

Selection: The Nomination Committee, which is exclusively composed by External Directors, assesses the knowledge, expertise and experience required on the Board and defines accordingly the duties and skills required in the candidates who are to fill

each vacancy and assess the time and dedication necessary for them to perform their duties adequately.

In turn, that committee is responsible for ensuring that the procedures for selecting directors promote the diversity of knowledge, experiences and gender and for setting a target for the gender least represented on the board of directors and devising a strategy to achieve that goal.

Additionally, the Board of Directors has approved on December 14th, 2015 the Directors Selection Policy.

Appointment: Board members are appointed by the General Meeting, without prejudice to the right of the Board to nominate shareholders by co-optation to fill any vacancies that arise, up to the next General Meeting.

Within its powers of proposal to the General Meeting or appointment by cooptation, the Board may not propose as candidates or appoint as Directors any persons affected by any of the incompatibilities or prohibitions established in law, the Articles of Association or regulations or any persons, companies or entities in a situation of permanent conflict of interest with the company, including competitors of the company or their directors, executives or employees, or any persons related to or proposed by them.

Directors shall be persons who, apart from meeting the requirements stipulated for the position in the law and the Articles of Association, have recognised prestige and sufficient professional experience and expertise to perform their duties as such.

Furthermore, those persons indicated in section 2 of Article 13 of the Board's Regulations may not be nominated or appointed as Independent Directors. In addition, External Proprietary Directors who lose this status when the shareholder they represent sells its shares in the Company may only be re-elected as External Independent Directors when the shareholder they represented up to that time has sold all of its shares in the Company.

A Director who holds a shareholding interest in the Company may be appointed as External Independent Director, provided he meets all the conditions established in this article and does not hold a significant interest.

Nominations for the appointment or ratification of directors submitted by the Board to the General Meeting and appointments made by cooptation must be approved by the Board (i) upon proposal of the Nomination Committee, in the case of Independent Directors, or (ii) subject to a report by said Committee for other directors.

Re-election: Directors shall hold office for a maximum of four years, after which they shall be eligible for re-election for one or several periods with an equal duration. Directors appointed by cooptation shall hold office up to the next General Meeting

following their appointment at which their appointment shall be subject to ratification.

The Nomination Committee shall be responsible for assessing the quality of their work and dedication of the directors proposed during their previous term in office.

Proposals to the General Meeting for the re-election of Directors shall be approved by the Board (i) upon proposal of the Nomination Committee, in the case of Independent Directors, or (ii) subject to a report by said Committee for other directors.

Assessment

At least once a year, the Board of Directors shall assess its functioning and the quality and efficiency of its work. It shall also annually assess the work of its Committees, based on the reports they submit to it.

The Chairman shall organise and coordinate this regular assessment of the Board with the Chairmen of the Committees.

The Board shall commission an external assessment of its performance to an independent specialized firm at least once every three years.

Cessation

Directors shall retire from office upon expiry of the term for which they were appointed and in all other cases stipulated in law, the Articles of Association and the Regulations of the Board of Directors.

The Board shall not propose the removal of any Independent Director before the end of the period for which he was appointed, unless it has justified reasons for doing so, based on a report by the Nomination Committee. In particular, such a proposal shall be justified if the Director (i) has defaulted the duties corresponding to his position; (ii) is in any of the situations described in section C.1.21 below; or (iii) falls into any of the circumstances by virtue of which he may no longer be considered an Independent Director.

The removal of Independent Directors may also be proposed following takeover bids, mergers or other similar corporate operations causing a change in the shareholding structure of the Company, insofar as may be necessary to establish a reasonable balance between Proprietary Directors and Independent Directors.

Directors shall also tender their resignations in any of the circumstances defined in section C.1.21.

C.1.20. Explain to what extent the annual assessment of the Board has given rise to major changes in its internal organisation and the procedures applicable to its activities:

Description of modifications
<p>According to the provisions of Article 45^{quater} of the Bylaws and Article 11.2 of the Regulations of the Board, the evaluation of the organisation and operation of the Board of Directors of Repsol, S.A. and its Committees during fiscal year 2014, was conducted and presented the conclusions of this evaluation at the meeting of the Board held in March.</p> <p>Based on the conclusions contained in this report and other recommendations made by the Directors during the evaluation process, the following steps were taken:</p> <ul style="list-style-type: none"> - A new Sustainability Committee was created to replace the Strategy, Investment and Corporate Responsibility Committee. - The Sustainability Committee was charged with reading, analysing and reporting back to the Board of Directors on the expectations of the company's different stakeholders including shareholders, the financial community, employees, clients, suppliers and society at large. - The number of scheduled meetings of the Delegate Committee was increased and the Committee was vested with more decision-making authority on investment matters.

C.1.20 bis Describe the process of assessment and the assessed areas carried out by the board of directors assisted, where appropriate, by an external consultant, regarding the diversity in its composition and powers, the operation and composition of its committees, the performance of the chairman of the board and of the chief executive of the company and the performance and contribution of each director.

<p>According to the provisions of Article 45^{quater} of the Bylaws and Article 11 of the Regulations of the Board, at least once a year the Board will evaluate its operations and the quality and efficiency of its work. The operation of Board committees will likewise be assessed annually, based on the annual reports submitted by each one. The Chairman will organize and coordinate these periodic evaluations with the Committee Chairs. At least once every three years, the Board will be assisted in the evaluation process by an external consulting firm.</p> <p>The independent firm Egon Zhender has assisted the Board in an evaluation of the organisation and operation of the Board of Directors of Repsol, S.A. and its Committees during fiscal year 2014, presenting the conclusions of this evaluation at the meeting of the Board held in March.</p> <p>The annual evaluation of the Board of Directors and for its Committees, for</p>

fiscal year 2015, has begun as provided for in the Bylaws and the Board Regulations and the conclusions of this evaluation will be presented at a forthcoming meeting of the Board.

C.1.20. ter Breakdown, if any, business relations that the consultant or any company of its group has with the company or any company of its group.

C.1.21 State the events in which directors are obliged to step down.

Directors shall tender their resignations and step down from the Board, should the latter consider this appropriate, in the following events:

- a) If they fall into circumstances of incompatibility or prohibition contemplated in law, the Articles of Association or applicable regulations.
- b) If they receive a serious warning from the Nomination Committee or the Audit and Control Committee for defaulting their obligations as directors.
- c) If, in the opinion of the board, in view of a report by the Nomination Committee:
 - (i) Their remaining on the Board could jeopardise the interests of the company or adversely affect the functioning of the Board or the standing and reputation of the Company; or
 - (ii) If the reasons why they were appointed disappear. Directors shall find themselves in this position, particularly in the following cases:
 - External Proprietary Directors, when the shareholder they represent or that nominated them directors transfers its entire shareholding interest. They shall also offer their resignation and, should the Board deem fit, step down from the Board, in the corresponding proportion, if the shareholder reduces its shareholding interest to a level requiring a reduction in the number of its External Proprietary Directors.
 - Executive Directors, when they cease to hold the executive positions outside the board to which their appointment as director was linked.

C.1.22 Section repealed

C.1.23 Are special majorities differing from those stipulated in law required for any type of decision?

Yes ☒ No ☐

If yes, describe the differences:

Description of the differences
<p>The alteration of Articles 20 and 23 of the Regulations of the Board regarding the no competition obligation and related party transactions, respectively, requires the favourable vote of three-quarters of the board members.</p> <p>The favourable vote of two-thirds of the members not involved in a conflict of interest is required to authorise the directors to provide counselling or representation services to the company's rivals, subject to a favourable report by the Nomination Committee.</p> <p>The favourable vote of two-thirds of the members not involved in a conflict of interest is also required to release from disqualification due to conflict of interest in respect of a proposal put to the general meeting or an appointment of candidates or directors by cooptation.</p> <p>Finally, the favourable vote of two-thirds of the members not involved in a conflict of interest is also required to authorise related party transactions of the company with directors, controlling shareholders represented on the board or persons related to them for a sum exceeding 5% of the Group's assets according to the latest consolidated annual accounts approved by the general meeting, in respect of strategic assets of the company, involving the transfer of significant technology of the company, intended to establish strategic alliances and which are not mere agreements of action or execution of existing alliances. This is conditional upon the transaction being fair and efficient for the interests of the company, the Nomination Committee having issued a favourable report after obtaining the corresponding report from a reputed independent financial expert indicating that the related party transaction will be made on reasonable, arm's length terms and if it is considered unadvisable to wait for the next general meeting to obtain authorisation, for reasons of opportunity.</p>

C.1.24 Are there any specific requirements, other than those established for directors, to be appointed Chairman of the Board of Directors?

Yes ☐ No ☒

Description of requirements

C.1.25 Does the Chairman have a casting vote?

Yes ☒ No ☐

Matters on which there is a casting vote
According to Article 36 of the Articles of Association, save where greater majorities have been specifically established, resolutions of the Board shall be approved by the absolute majority of directors attending, and in the event of a tie, the Chairman or acting chairman shall have the casting vote.

C.1.26 Do the Articles of Association or Regulations of the Board establish an age limit for directors?

Yes ☐ No ☒

Age limit Chairman ☐

Age limit managing director ☐

Age limit director ☐

C.1.27 Do the Articles of Association or Regulations of the Board establish a limited term of office for independent directors other than as stipulated in law?

Yes ☐ No ☒

Maximum number of years in office	
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C.1.28 Do the Articles of Association or Regulations of the Board establish specific rules for the delegation of votes at board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may hold, and whether there is any limitation as to the categories of directors that can be delegated beyond the limitations imposed by legislation. If yes, include a brief description.

Without prejudice to the directors' duty to attend the meetings of the bodies they belong to or, if they are unable for justified reasons to attend the meetings to which they have been called, to issue the appropriate instructions to the director who is to represent them, if any, each Board member may grant a proxy to another member, with no limit on the number of proxies that may be held by any director for attendance of Board meetings, all subject to the provisions of the applicable laws.

Absent directors may grant proxies by any written means, including telegram, telex or telefax addressed to the Chairman or Secretary of the Board.

C.1.29 State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman.

Proxies made with specific instructions shall be considered attendance:

Number of board meetings	12
Number of board meetings held without the chairman	0

If the chairman is an executive director, indicate the number of meetings held without the attendance or representation of any executive directors and chaired by the coordinating director

Number of meetings	
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Indicate the number of meetings held by the different Committees of the Board:

Number of meetings of the Executive or Delegate Committee	5
Number of meetings of the Audit and Control Committee	11
Number of meetings of the Nomination Committee	1
Number of meetings of the Remuneration Committee	1
Number of meetings of Sustainability Committee	2

C.1.30 State the number of meetings held by the Board during the period attended by all its members. Proxies made with specific instructions will be considered attendances:

Number of meeting with the attendance of all directors	12
% attendance over total votes during the year	100%

C.1.31 Are the separate and consolidated annual accounts submitted to the Board for approval previously certified?

Yes ☒ No ☐

If yes, name the person(s) who certify the separate or consolidated annual accounts of the company before they are approved by the Board:

Name	Position
Josu Jon Imaz San Miguel	CEO
Miguel Martínez San Martín	Managing Director and CFO

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the separate and consolidated accounts laid before the General Meeting.

The Audit and Control Committee, set up on 27 February 1995, has as main duty, the supporting to the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, the effectiveness of its executive controls and the independence of the external auditors, as well as supervising the internal audit department, and checking the compliance with all the legal provisions and internal regulations applicable to the Company.

This Committee has the following duties, among others:

- Supervise the integrity and process of preparing the mandatory financial information on the company and its group, ensuring compliance with all requirements, adequate definition of the consolidated group and correct application of the accounting principles.
- Regularly check the internal control, internal audit and risk management systems, including tax risks, to ensure that the principal risks are identified, handled and reported on adequately.
- Prior to their submission to the board, analyse the financial statements of the company and its consolidated group included in the annual, half-year and quarterly reports and any other financial information that the company is obliged to publish regularly by virtue of being a listed company, with the necessary requirements to ensure that they are correct, reliable, adequate and clear. For this purpose it shall have all the necessary information and such degree of aggregation as it may deem fit, assisted as necessary by the top management of the group. It shall, in particular, see that the annual accounts that are to be submitted to the board are certified pursuant to the internal or external regulations applicable from time to time.
- Ensure that the Board of Directors submits the accounts to the General Meeting without there being any reservations or provisos in the auditor's opinion and that in those exceptional cases where there are provisos, both the Chairman of this Committee and the auditors provide the shareholders with a clear explanation of the scope and contents of the reservations or provisos.
- Regularly receive information from the external auditors on the audit plan and results of their work, and check that the executives heed their recommendations.
- Regularly require the external auditors, and at least one a year, to assess the quality of the group's internal control procedures and systems.
- Be informed of any situations requiring adjustments that may be detected during the work of the external auditors whenever they are significant, considering this to mean any situations which, per se or in combination with others, may cause a material impact or damage to the net worth, results or reputation of the group. This consideration shall be left to the discretion of the external auditors, who shall, in case of doubt, opt for notification. The Chairman of the Committee shall be notified accordingly as soon as the auditors become aware of the situation in question.
- Oversee the degree of fulfilment by the audited units of the corrective measures recommended by the internal audit department in previous audits.

The committee shall be informed of any significant irregularities, anomalies or defaults detected by the internal audit department in the course of its work.

For this purpose, the members of this Committee shall have the necessary experience, capacity and dedication to perform their duties. Moreover, the Chairman shall have experience in business or risk management and a working knowledge of accounting procedures, and at least one of the members shall have the financial experience that may be required by the regulatory bodies of the stock markets on which the stocks or shares of the company are listed.

C.1.33 Is the Secretary of the Board a Director?

Yes ☒ No ☐

C.1.34 Section repealed.

C.1.35 Describe any concrete mechanisms established by the company to preserve the independence of the external auditor, financial analysts, investment banks and rating agencies.

Article 34 of the Board Regulations states that one of the duties of the Audit and Control Committee is to ensure the independence of the External Auditors, in two ways:

- a) Avoiding any factors that may compromise the warnings, opinions and recommendations of the External Auditors, and
- b) Establishing and overseeing any incompatibilities between auditing and consultancy services and any others, the limits on concentration of the External Auditor's business and, in general, all other rules established to guarantee the auditor's independence.

According to these duties, in 2003 the Audit and Control Committee agreed on a procedure to approve previously all the services, auditing or otherwise, provided by the External Auditor, whatever their extent, scope and nature. This procedure is regulated in an Internal Rule mandatory for the whole of the Repsol Group.

In addition, article 34 of the Regulations of the Board of Directors provides that the Committee shall receive, annually, from the External Auditor written confirmation of its independence towards the Company or entities related to the same directly or indirectly, as well as information on the additional services of any kind to these entities by the Auditors or by individuals or entities related to them and the fees charged, in accordance with the regulations governing the activity of auditors. The Committee shall issue annually, prior to the delivery of the Auditing report, a report stating an opinion on the independence of the Auditors. This report must necessarily contain an assessment of any non-auditing services rendered, considered both individually and as a whole, vis-à-vis the rules governing independence or the regulations of the auditing profession.

Furthermore, Repsol Group has the Investor Relation Division whose responsibilities include ensuring that the information supplied by the Company to the market (financial analysts and investment banks, amount other) is transmitted fairly, commensurate and in useful time and, according with the Repsol Group Internal Conduct Regulations Regarding the Securities Market, that such information is accurate, clear, complete and, when required by the nature of the information, quantified, and shall by no means be

misleading or confusing.

The Repsol Group has also approved and published a communication and contact policy for shareholders, institutional investors and proxy adviser which defines and establishes the principles and guidelines for contacting and communicating with these groups.

C.1.36 Indicate whether the external auditors have changed during the year. If so, name the incoming and outgoing auditors:

Yes ☐ No ☒

Outgoing auditor	Incoming auditor

Explain any disagreements with the outgoing auditor:

Yes ☐ No ☐

Explanation of disagreements

C.1.37 State whether the firm of auditors does any work for the company and/or its group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the company and/or its group:

Yes ☒ No ☐

	Company	Group	Total
Cost of work other than auditing (thousand euro)	1,118	1,189	2,307
Cost of work other than auditing / Total amount invoiced by the auditors (%)	27	21	23

C.1.38 Indicate whether the auditors' report on the annual accounts of the previous year was qualified. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of the qualifications.

Yes ☐ No ☒

Explanation of reasons

C.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	14	14

	Company	Group
Number of years audited by current auditors / Number of years that the company has been audited (%)	56%	56%

C.1.40 Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

Yes ☒ No ☐

Details of procedure
<p>The Regulations of the Board of Repsol, S.A. expressly recognise the directors' right to advisory services. Article 25 provides as follows:</p> <ul style="list-style-type: none"> - The Directors shall likewise have the power to propose to the Board, by majority vote, the contracting at the Company's expense of legal advisers, accountants, technical, financial, and commercial experts, and experts of any other kind they consider necessary to the Company's interests, to provide assistance in the performance of the Directors' functions in regard to concrete problems of some magnitude and complexity relating to their positions. - Said proposals must be submitted to the Chairman of the Company through the Secretary of the Board. The Board of Directors may veto their approval on the grounds that they are unnecessary to the performance of the assigned functions, or that the number is disproportionate to the importance of the problem and to the Company's assets and income, or that the technical assistance in question could be adequately provided by experts within the Company. <p>Furthermore, the Regulations of the Board of Directors establish that the Audit and Control Committee, the Nomination Committee and the Sustainability Committee may obtain counselling from lawyers or other independent professionals, in which case the Secretary of the Board shall, at the request of the Chairman of the Committee, take whatever action may be necessary to engage the services of such lawyers or other professionals, which shall be provided directly to the corresponding Committee.</p>

C.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

Yes ☒ No ☐

Details of procedure
<p>The Regulations of the Board of Directors of Repsol, S.A. establish that the notice of call to Board meetings shall be sent to each director at least 48 hours prior to the date specified for the meeting, and shall include the agenda. The minutes of the previous meeting shall be enclosed, regardless of whether they have been approved, and any information considered necessary and that is available.</p> <p>The Regulations of the Board of Directors of Repsol, S.A. contemplate procedures to ensure that directors have the necessary information sufficiently in advance to prepare Board meetings. In this regard, Article 25 provides as follows:</p> <ul style="list-style-type: none"> – The Directors shall have access to all the Company's services and may obtain, with the broadest possible powers, the information and advising they need on any aspect of the Company provided they request it in connection with the performance of their functions. The right to information extends to the subsidiaries, whether national or foreign, and shall be channelled through the Chairman or the Secretary of the Board of Directors or of the appropriate Board Committee, who shall respond to Directors' requests and directly furnish them the information, offering them access to appropriate sources or taking all necessary measures to answer questions.

C.1.42 Indicate, with details if appropriate, whether the company has established any rules obliging Directors to report and, if necessary, retire in any situations that could be detrimental to the prestige and reputation of the company:

Yes ☒ No ☐

Explain the rules
<p>According to Article 16 of the Regulations of the Board of Directors, Directors shall offer their resignation and, should the board deem fit, step down as directors if, in the opinion of the Board, in view of a report by the Nomination Committee, their remaining on the board could jeopardise the interests of the company or adversely affect the functioning of the board or the standing and reputation of the company.</p> <p>In this regard, Article 19 of the Regulations of the Board of Directors provides that Directors shall notify the board as soon as possible and keep it up to date on any situations in which they may be involved and that could be detrimental to the standing and reputation of the company, to enable the board to assess the circumstances, particularly in pursuance of the preceding paragraph.</p>

C.1.43 Has any member of the Board informed the company that he/she has been sued or brought to trial for any of the offences contemplated in article 213 of the Companies Act?

Yes ☐ No ☒

Name of Director	Prosecution	Comments

Has the Board studied the case? If so, indicate and explain the decision made as to whether or not the director should remain in office or, if appropriate, describe the actions taken by the board up to the date of this report, or which it plans to take.

Yes ☐ No ☐

Decision made / action taken	Reasoned explanation

C.1.44 Describe any significant agreements entered into by the company which enter into force, are modified or terminated in the event of a takeover of the company following a takeover bid, and the effects thereof.

The company usually participates in the exploration and exploitation of hydrocarbons through consortiums or joint ventures with other oil companies, both public and private. The agreements regulating the relations among partners of the joint ventures commonly grant the other partners a right of pre-emption on the participation of the member who intends to directly transfer all or part of its participation. This also applies to indirect transfers, that is, when there is a change of control in a particular partner's company and the value of the participation is significant in relation to the total assets included in the transaction, or other circumstances which are contractually regulated.

The laws regulating the oil and gas industry in several countries in which the company operates also submit to prior authorisation by the competent government of any transfer of all or part of licences for hydrocarbon exploration and exploitation concessions, and such authorisation is sometimes also required for takeovers of the concessionary company or companies, especially the one that operates the mining business.

In addition, the agreements signed between Repsol and Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona in respect of Gas Natural SDG, S.A., announced in regulatory filings with the National Securities Market Commission, the Industrial Action Agreement between Repsol and Gas Natural SDG, S.A. contemplated therein and announced in a CNMV filing on 29 April 2005 contemplate any change in the ownership structure of any of the parties as ground for termination.

C.1.45 Indicate globally and describe in detail any agreements made between the company and its directors, executives or employees contemplating golden handshake clauses in the event of resignation or unfair dismissal or termination of employment following a takeover bid or any other type of transaction.

Number of beneficiaries	289
Type of beneficiary	Description of the agreement
Directors: 6 members of the Management Committee (excluding the Executive Directors) and 281 Directors	<p>The company has established a single statute for executives, defined in the Executive Contract, regulating the severance pay applicable in cases of termination of their employment, contemplating the grounds for compensation stipulated in law. For members of the Executive Committee they include resignation by the Executive as a result of takeover of the company or a major change in its ownership, leading to a renewal of its governing bodies or the content of and approach to its main business activity.</p> <p>The amount of severance pay of the current members of the Executive Committee and of the rest of Directors appointed before December 2012 is calculated according to the age, seniority and salary of each executive. In the case of directors appointed after that date, the amount is calculated based on salary and years of management, within a range between 12 and 24 months, or the legal, if this higher.</p> <p>Further compensation is set to pledge not post-contractual competition of an annuity of total annual remuneration in the case of members of the Executive Committee (six months the case of one of them) and an annuity of fixed remuneration in the rest of Directors. In the latter case, the compensation is under multiannual programs remuneration which owns the Director and additionally under the welfare plan in the case of those Directors with the compensation referred to his total remuneration and if necessary, the company complements to the said amounts. In the management contracts of some countries committed to non-compete or no compensation whatsoever is established for the same is not contemplated.</p>

Executive Directors: 2	A deferred economic compensation is contemplated for executive directors in the event of termination of their relationship with the company, provided it does not occur as a result of default of their obligations or at their own will without one of the justifying causes contemplated in their contract. The details of such compensation are set out in the Annual Remuneration Report to be laid before the shareholders at the AGM 2015.
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State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

	Board of Directors	General Meeting
Body authorising the clauses	YES	NO

Is the General Meeting informed on the clauses?	YES
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C.2. Committees of the Board

C.2.1 Give details of the different committees, their members and the proportion of executive, proprietary, independent and other non-executive directors in each committee:

EXECUTIVE COMMITTEE

Name	Position	Category
Antonio Brufau Niubó	Chairman	Other external
Josu Jon Imaz	Member	Executive
Isidro Fainé Casas	Member	Proprietary
Manuel Manrique Cecilia	Member	Proprietary
Rene Dahan	Member	Proprietary
Artur Carulla Font	Member	Independent
Henri Philippe Reichstul	Member	Independent
J. Robinson West	Member	Independent
Luis Suárez de Lezo Mantilla	Member & Secretary	Executive

% executive directors	22.22%
% proprietary directors	33.33%
% independent directors	33.33%
% other non-executive directors	11.11%

Explain the committee's functions. Describe the procedures and the rules of organisation and operation of the committee and summarise its most important achievements during the year.

The Delegate Committee is composed of the Chairman of the Board and up to a maximum of eight Directors from the three existing categories, maintaining a similar proportion to that existing on the Board of Directors. Its members shall be appointed with a majority of at least two-thirds of the current Board members. The Chairman and the Secretary of the Delegate Committee shall be those of the Board.

All the powers of the Board are permanently delegated to the Delegate Committee, except those that may not be lawfully delegated. Whenever the business is sufficiently important, in the opinion of the Chairman or three members of the Delegate Committee, the resolutions adopted by the Delegate Committee shall be submitted to the full Board for ratification. The same shall be applicable in any business referred by the Board to be studied by the Delegate Committee, while reserving the ultimate decision thereon. In all other cases, the resolutions adopted by the Delegate Committee shall be valid and binding with no need for subsequent ratification by the Board.

In 2015, the Delegate Committee analysed the purchase of the Talisman Group and the Repsol Group's 2016-2020 Strategic Plan, among other things.

State whether the composition of the Delegate or Executive Committee reflects the percentage of the different board members by category:

Yes ☒ No ☐

If not, explain the composition of the Delegate or Executive Committee

AUDIT AND CONTROL COMMITTEE

Name	Title	Category
Javier Echenique Landiribar	Chairman	Independent
Ángel Duráñez Adeva	Member	Independent
Luis Carlos Croissier Batista	Member	Independent
Mario Fernández Pelaz	Member	Independent

% of proprietary directors	-
% of independent directors	100%
% of other external directors	-

Explain the committee's functions. Describe the procedures and the rules of organisation and operation of the committee and summarise its most important achievements during the year.

The Audit and Control Committee is composed exclusively of Independent Directors, no fewer than three in number, appointed by the Board on the basis of their experience and expertise in accounting, auditing or risk management. The Board shall appoint the members of this

Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board, in case they cease to be considered as Independent Directors or whenever so resolved by the Board, subject to a prior report by the Nomination Committee. The chairman shall hold office as such for a maximum of four years, after which he shall not be eligible for re-election until one year has passed, without prejudice to his continuation or re-election as member of the Committee. The Secretary shall be the same of the Board.

This Committee supports the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, the efficacy of executive controls, and the independence of the external auditors, as well as checking compliance with all the legal provisions and internal regulations applicable to the company. This Committee is competent to submit proposals regarding the appointment, renewal and removal of external auditors, drawing up an Annual Report on its activities which is submitted to the Board and is public.

The Committee establishes an annual calendar of meetings, as well as an Action Plan for each year. Meetings shall be called whenever so requested by any two of its members.

In 2015, the Committee analysed the financial statements of the company and the consolidated group, made a proposal to re-elect Deloitte as the external auditors for the year 2014 and supervised internal risk control and information systems.

Identify the board member named to the Audit Committee because of his or her knowledge of accounting, auditing or both and state how many years the Chairman of this committee has held the position.

Name(s) of director (s) with experience	Ángel Durández Adeva
No. of years chairman has held office	1

NOMINATION COMMITTEE

Name	Title	Category
Artur Carulla Font	Chairman	Independent
María Isabel Gabarró Miquel	Member	Independent
Mario Fernández Pelaz	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Gonzalo Gortázar Rotaeché	Member	Proprietary

% of proprietary directors	40%
% of independent directors	60%
% of other external directors	-

Explain the committee's functions. Describe the procedures and the rules of organisation and operation of the committee and summarise its most important achievements during the year.

On 27 May, 2015 the Board of Directors resolved to split the Nomination and Compensation

Committee into two separate committees, creating the Nomination Committee (NC) and the Compensation Committee (CC).

The Nomination Committee consists of no fewer than three External Directors, being the majority Independent, taking account of the expertise, skills and experience of the directors and the duties of the Committee. The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Audit and Control Committee. The Chairman of this Committee shall be one of its members, who shall necessarily be an External Independent Director, and the Secretary shall be the Secretary of the Board.

This Committee has the duties of proposing and reporting to the Board on the selection, appointment, re-election and removal of Directors, establishing a target for the gender that is underrepresented on the board, reporting on the proposed appointment and removal of senior executives and the directors' compliance with the principles of corporate governance and other obligations.

The Committee shall meet whenever the Board or Chairman of the Board requests reports or proposals within the scope of its duties, and whenever called by the Chairman of the Committee, requested by two Committee members or when reports are required.

In 2015 the Nomination Committee analysed the selection of the directors, J. Robinson West and Gonzalo Gortázar Rotaeché and the new organisational structure of the Group following the acquisition of Talisman and issued a favourable report on the proposed Director Selection Policy of Repsol, S.A., among other things.

COMPENSATION COMMITTEE

Name	Title	Category
Artur Carulla Font	Chairman	Independent
María Isabel Gabarró Miquel	Member	Independent
Mario Fernández Pelaz	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Gonzalo Gortázar Rotaeché	Member	Proprietary

% of proprietary directors	40%
% of independent directors	60%
% of other external directors	-

Explain the committee's functions. Describe the procedures and the rules of organisation and operation of the committee and summarise its most important achievements during the year.

On 27 May, 2015 the Board of Directors resolved to split the Nomination and Compensation Committee into two separate committees, creating the Nomination Committee (NC) and the Compensation Committee (CC).

The Compensation Committee consists of no fewer than three External Directors, being the

majority Independent, taking account of the expertise, skills and experience of the directors and the duties of the Committee. The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Audit and Control Committee. The Chairman of this Committee shall be one of its members, who shall necessarily be an External Independent Director, and the Secretary shall be the Secretary of the Board.

This Committee has the duties of making proposals and reporting to the Board of Directors on the compensation policy for senior management and the basic contractual conditions of senior management, verifying compliance with the Company's established compensation policy, verifying the compensation information contained in corporate documents and reporting on the use of company information and assets for private purposes, among others.

The Committee shall meet whenever the Board or Chairman of the Board requests reports or proposals within the scope of its duties, and whenever called by the Chairman of the Committee, requested by two Committee members or when reports are required.

In 2015 the Compensation Committee has made proposals and reported to the Board of Directors on a variety of issues, including the compensation policy for directors for the years 2015, 2016 and 2017, the Annual Compensation Report for the year 2014 and the new contractual conditions of Messrs. Brufau and Imaz.

SUSTAINABILITY COMMITTEE

Name	Title	Category
María Isabel Gabarró Miquel	Chairman	Independent
Luis Carlos Croissier Batista	Member	Independent
Gonzalo Gortázar Rotaeché	Member	Proprietary
José Manuel Loureda Mantiñán	Member	Proprietary
Javier Echenique Landiribar	Member	Independent

% of executive directors	-
% of proprietary directors	40%
% of independent directors	60%
% of other external	-

Explain the committee's functions. Describe the procedures and the rules of organisation and operation of the committee and summarise its most important achievements during the year.

On 27 May 2015, the Board of Directors resolved to create a new Sustainability Committee (SC) to replace the Strategy, Investment and Corporate Responsibility Committee.

The Sustainability Committee is composed by of fewer than three directors, the majority of whom must be external directors. They are appointed by the Board taking account of the expertise, skills and experience of the directors and the duties of the Committee. The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or

whenever so resolved by the Board, subject to a prior report by the Nomination Committee. One of the members of this Committee shall be appointed Chairman and the secretary shall be the Secretary of the Board.

This Committee has, among others, the duties of shaping the Group's policies, objectives and guidelines on environmental, safety and social responsibility matters, analysing and reporting to the Board of Directors on the expectations of the Company's stakeholders and supervising the relations with them, proposing to the Board of Directors the approval of a Sustainability Policy and reviewing and evaluating the management and control systems for non-financial risks.

The Committee meets with the established frequency, whenever called by its Chairman or requested by two of its members. In 2015, the Committee made proposals to the Board of Directors for a Sustainability Policy and a Communication and Contact Policy for shareholders, institutional investors and proxy advisers. It also reported on the Corporate Social Responsibility Report for 2014, monitored safety and environmental indicators and analysed the expectations of different stakeholder group.

The respective Chairmen of the Committee shall regularly report to the Board on the actions taken by the Committees. At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board. The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

C.2.2 Complete the following table with information on the number of directors who sat on Board Committees at the close of the last four fiscal years:

	Number of directors			
	FY t Number - %	FY t-1 Number - %	FY t-2 Number - %	FY t-3 Number - %
Delegate Committee	-	-	-	-
Audit and Control Committee	-	-	1 – 25%	1 – 33,33%
Nomination Committee	1 – 20%	N.A.	N.A.	N.A.
Compensation Committee	1 – 20%	N.A.	N.A.	N.A.
Sustainability Committee	1-20%	N.A.	N.A.	N.A.

C.2.3 Section repealed.

C.2.4 Section repealed.

C.2.5 Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each committee.

Delegate Committee

The internal regulation of the Delegate Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors. The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Audit and Control Committee

The internal regulation of the Audit and Control Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors. The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com). The Audit and Control Committee has drawn up a Report of its activities during 2015.

Nomination Committee

The internal regulation of the Nomination Committee is currently set out in the Regulations of the Board of Directors. The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Compensation Committee

The internal regulation of the Compensation Committee is currently set out in the Regulations of the Board of Directors, which are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Sustainability Committee

The internal regulation of the Sustainability Committee is currently set out in the Regulations of the Board of Directors, which are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

C.2.6 Section repealed.



RELATED PARTY AND INTER-COMPANY TRANSACTIONS

D.1 Name the competent body and explain the procedure, if any, for approving related party and inter-company transactions:

Procedure for reporting the approval of related party transactions
<p>According to Article 22bis of the Articles of Association, any transaction that the company makes directly or indirectly with directors, controlling shareholders represented on the board or persons related thereto which (i) are for a sum exceeding 5% of the Group's assets according to the latest consolidated annual accounts approved by the general meeting; (ii) involve strategic assets of the company; (iii) involve the transfer of significant technology of the company; or (iv) are intended to establish strategic alliances and are not mere agreements of action or execution of existing alliances, can only be made if they meet the following conditions:</p> <ul style="list-style-type: none">a) the transaction is fair and efficient for the interests of the company;b) after obtaining the corresponding report from a reputed independent financial expert indicating that the related party transaction will be made on reasonable, arm's length terms, the Nomination Committee will issue a report assessing fulfilment of the requirement of (a) above; andc) the General Meeting authorises the related party transaction with a favourable vote of seventy-five per cent (75%) of the capital present and represented at the general meeting. This notwithstanding, if it is considered unadvisable to wait for the next general meeting to obtain authorisation, for reasons of opportunity, the transaction may be approved by the board, provided (i) the report by the Nomination and Compensation Committee contemplated in (b) above is favourable for the transaction, and (ii) the resolution is adopted with the favourable vote of at least two-thirds of the board members not affected by a conflict of interest. In this case, the board shall inform shareholders at the next general meeting on the terms and conditions of the transaction. <p>When calling the general meeting to discuss or be informed on the authorisation of the related party transaction, the board shall make available to shareholders the reports issued by the Nomination Committee and the independent expert contemplated in (b) above and, should it so deem fit, its own report on the matter.</p> <p>Other related party transactions must be authorised by the Board of Directors after obtaining a report from the Nomination Committee. On an exceptional basis, related party transactions that would normally require Board approval may be authorised by the Delegate Committee, subject to prior ratification by the full board, whenever so required in cases of emergency.</p>

The board's authorisation is not needed for related party transactions that meet all three of the following conditions:

- i. the transaction is made under contracts with standard terms and conditions which are applied across the board to a large number of clients;
- ii. it is made at prices or rates generally established by the person acting as supplier of the good or provider of the service in question or, if the transaction refers to goods or services for which there are no prices established, on arm's length terms, similar to those applied in commercial relations with clients of a similar nature; and
- iii. the amount of the transaction does not exceed 1% of the company's annual income.

Related party transactions are assessed from the point of view of equal treatment and arm's length terms and are described in the Annual Corporate Governance Report and the regular public information on the terms set out in the applicable laws and regulations.

D.2 List any transactions for a significant amount or object between the company and/or companies in its group and controlling shareholders of the company:

Name of controlling shareholder	Name of company or group company	Relationship	Type of transaction	Amount (thousand euros)
SACYR, S.A.	REPSOL GROUP	Contractual	Operating lease contracts	87
SACYR, S.A.	REPSOL GROUP	Commercial	Receipt of services	6,232
SACYR, S.A.	REPSOL GROUP	Contractual	Purchase of goods finished or not	133
SACYR, S.A.	REPSOL GROUP	Commercial	Rendering of services	4,339
SACYR, S.A.	REPSOL GROUP	Commercial	Sale of goods finished or not	8,729
SACYR, S.A.	REPSOL GROUP	Commercial	Others	186,860
SACYR, S.A.	REPSOL GROUP	Commercial	Purchase of property and equipment	69,940
SACYR, S.A.	REPSOL GROUP	Contractual	Guarantees & bonds	65,567
SACYR, S.A.	REPSOL GROUP	Corporate	Dividends and other distributed profits	116,831
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Interest paid	14,957
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Operated leases	305
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Receipt of services	7,828
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Contributions to pension plans and life insurance	20,408
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Interest charged	39,296

CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Interest accrued but not collected	24
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Rendering of services	3,178
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Sale of goods finished or not	252
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Purchase of financial assets	22,682
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Financing agreements: loans	564,835
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Guarantees & bonds	332,893
CAIXABANK ,S.A.	REPSOL GROUP	Corporate	Dividends and other distributed profits	153,460
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Others	1,386,462
TEMASEK HOLDINGS (PRIVATE) LIMITED	REPSOL GROUP	Commercial	Others	2,420,038
TEMASEK HOLDINGS (PRIVATE) LIMITED	REPSOL GROUP	Commercial	Sale of goods finished or not	87,922
TEMASEK HOLDINGS (PRIVATE) LIMITED	REPSOL GROUP	Corporate	Dividends and other distributed profits	79,299

D.3 List any significant transactions for a significant amount or object between the company and/or companies in its group and the directors or executives of the company:

Name of directors or executives	Name of related party	Relationship	Nature of the transaction	Amount (thousand euros)
Company executives	Repsol Group	Contractual	Financing agreements: loans and capital contributions (lender)	170

D.4 Report any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, correspond to the normal business of the Company:

In any case, inform on any inter-company transaction with companies established in countries or territories considered tax havens:

Name of group company	Brief description of the transaction	Amount (thousand euros)
Greenstone Assurance Ltd.	Guarantees and bonds given	1,745

Greenstone Assurance Ltd.	Cancelled guarantees	1,378
Greenstone Assurance Ltd.	Other incomes	8
Rex Liberia (Sucursal)	Provision of services	113

D.5 State the amount of transactions made with other related parties.

D.6 Describe the mechanisms established to detect, define and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or controlling shareholders:

The Regulations of the Board of Directors require that directors abstain from deliberating and voting on resolutions or decisions in which they or someone related to them have a direct or indirect conflict of interest. Moreover, directors must take the necessary measures to avoid situations in which their direct or indirect interests conflict with the company's interests and their obligations to the Company.

Director must notify the Board of Directors through the Chairman or Secretary of any direct or indirect conflict of interest with the Company's interests involving them or anyone related to them.

Directors shall inform the Nomination Committee of any other professional obligations and remunerated activities of any kind, as well as any material change in their professional situation or changes that affect the nature or condition by virtue of which they have been appointed Directors.

Finally, directors shall tender their resignations and step down from the Board, should the latter deem fit, whenever they incur in any of the events of incompatibility or disqualification established in law, the Articles of Association or Regulations.

Articles 19 to 23 of the Regulations of the Board of Directors set out the obligations to be met by Directors in accordance with their duty of loyalty vis-à-vis non-competition, use of corporate information and assets and taking advantage of business opportunities, and the requirements established in respect of related party transactions between the Company and the Directors, significant shareholders represented on the Board or persons related to them.

Similarly, the Repsol Group Internal Conduct Regulations regarding the Securities Market, applicable to directors, top management and the executives of certain departments and divisions with access to privileged information of the company or its group and who carry out tasks related with the Securities Market, contemplates the preclusion and solving of conflicts of interest in Articles 8.3. and 8.4. and the proceeding that shall be followed in those situations that could potentially create a conflict of interest with Repsol Group, setting *abstention* as the general principle to be considered in the resolution of all kind of conflicts of interest and the duty to act in all moments with loyalty to the Repsol Group, giving preference to the interest of the Repsol Group over its own interests.

Finally, the Ethics and Conduct Regulation for Repsol Employees which applies to all employees of Repsol including its executives and its Directors also provides in its Article 3.6 the action proceeding in case of a potential conflict of interest.

D.7 Is more than one company of the Group listed in Spain?

Yes ☐ No ☒

Name the subsidiaries listed in Spain:

Listed subsidiaries

Indicate whether the respective areas of activity and possible business relations between them have been precisely defined publicly and those of the listed subsidiary with other companies in the group:

Yes ☐ No ☐

Define any business relations between the parent company and listed subsidiary, and between the latter and other group companies

Describe the mechanisms established to solve any conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to solve conflicts of interest



RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System, including those of tax nature.

The Repsol Group operates in a variety of countries, conditions and environments and in all phases of the energy business value chain. As a result, it is exposed to a variety of risks (strategic, operational and financial), which can affect the future performance of the organization and must be mitigated as effectively as possible.

Because of this, the Company has an organization, procedures and system that enable it to manage these risks to a reasonable extent. Risk management is therefore an integral element of the Group's decision-making processes, both within the corporate governance bodies and in business management.

Repsol has been working for years on an integrated risk management model in order to anticipate, manage and control the risks with an overall vision. The Repsol Integrated Risk Management System (IRMS) provides an accurate overview of all risks of any kind to which the Company may be exposed.

Repsol's commitment to implementing the IRMS is reflected in the Repsol Risk Management Policy, and its principles are clarified in the Integrated Risk Management Rule approved by the company's Corporate Executive Committee. This management model was inspired by ISO 31000, the international benchmark standard, and the Three Lines of Defence model.

The key pillars of the IRMS are:

- Senior Management as the leader of integrated risk management
- Integration in all management processes and activities of the company from a global perspective provided by Risk Management.
- Participation of all corporate departments and areas, converting them into units with varying levels of responsibility and specialisation (risk management units, supervision units and audit units), as well as by Risk Management, which manages and coordinates the integrated management system.
- Guarantees that all risks are managed by a unified process for identifying, assessing and dealing with them.
- Promotes continuous improvement for enhanced efficiency and responsiveness.

E.2 Name the corporate bodies responsible for preparing and implementing the Risk Management System, including tax.

Board of Directors

The full Board of Directors reserves the right to approve the Company's general policies and strategies, which includes its risk management and control policies, tax risks among them, and to oversee the internal reporting and control systems:

Audit and Control Committee of the Board of Directors

According to the Regulations of the Board of Directors of Repsol, the Audit and Control Committee regularly checks the efficiency of the internal control, internal audit and risk management systems, including tax risks, to ensure that the principal risks are identified, managed and reported adequately.

Sustainability Committee

According to the Regulations of the Board of Directors of Repsol, the Sustainability Committee reviews and evaluates the systems in place for managing and controlling non-financial risks, especially those related to the matters falling under its jurisdiction.

Corporate Executive Committee

The Corporate Executive Committee approves the governance elements required within the area of risk management, oversees their correct application and monitors the company's performance in respect of risks.

The Senior Management at Repsol views the Integrated Risk Management System as not only a tool for defining the company's strategy but also as a way of improving operations and of flexibly managing critical situations and becoming stronger in the process.

Repsol's Integrated Risk Management System is aligned with the Three Lines of Defence Model on the assignment of responsibilities in risk management and control. In this regard, Repsol is organized as follows:

Risk Management Units (1st Line of Defence). These units are responsible for direct management of risk in day-to-day operations, which encompasses the tasks of identification, analysis, evaluation and mitigation of risks.

Risk Supervision Units (2nd Line of Defence). As governance units specializing in the management of certain types of risks, they have the mission of furthering and overseeing the implementation of effective risk management practices in the Management Units and providing counselling for continuous improvement in risk management.

Risk Management. Risk Management governs the function of integrated risk management and ensures that it is global, homogenous, exhaustive and effectively influential in decision-making processes.

Risk Audit Units (3rd Line of Defence). These units are responsible for evaluating the design and functioning of the Group's risk management systems to ensure that the risks are adequately identified, measured, prioritized and controlled according to the laws and regulations in place and good practice in the industry.

E.3 Define the main risks, including those of tax nature, that could have a bearing on achievement of the company's business goals.

Repsol's transactions and income are exposed to risks as a consequence of changing competitive, economic, political, legal, regulatory, social, industrial, business and financial risks such as the ones discussed below:

Strategic and Operational Risks:

- Uncertainty in the current economic context
- Fluctuations in the international prices of crude and benchmark products and in demand due to factors beyond Repsol's control
- Regulatory framework and taxation of Repsol's operations
- Subjection of Repsol to exhaustive safety and environmental risks and laws
- Operating risks inherent to Repsol's business:
 - Exploration and exploitation of hydrocarbons (Upstream): dependence on the acquisition or discovery of reserves at a reasonable cost and subsequent development of the new crude and gas reserves.
 - Petroleum-related industrial business and marketing of derivative products (Downstream).
- Location of reserves
- Estimates of oil reserves and gas deposits
- Projects and operations developed through joint ventures and associates
- Repsol can make acquisitions, investments and disposals as part of its strategy
- The insurance cover for all operating risks to which Repsol is exposed might not be sufficient
- Exposure of operations in the natural gas sector to certain operational and market risks
- Cyclical nature of the petrochemicals business
- The strategy of the Repsol Group requires efficiency and innovation in a highly competitive market
- The Repsol Group is exposed to administrative, judicial and arbitration procedures
- The reliability and robustness of information technology are key factors in keeping our operations up and running
- Inadequate conduct or breaches of the applicable laws and regulations by our employees can damage the reputation of the Repsol Group
- Repsol is sensitive to negative public opinion that can damage our image and reputation, which can in turn impact business opportunities

Financial Risks:

- Liquidity Risk
- Credit Risk
- Market Risk
 - Exchange rate risk
 - Commodity price risk
 - Interest rate risk
 - Credit rating risk

For more information: See chapter Risk Management (section "Risk factors") in the Repsol Consolidated Management Report 2015.

E.4 State whether the company has a risk tolerance level, including tax.

The Company has established tolerance levels which, depending on each type of risk, can be expressed on the basis of a numeric indicator (e.g., for market, credit, etc. risks) or as a management guideline establishing obligations or limits on activities or behaviour (e.g., in operational risks).

Repsol has a risk evaluation process based on a common, homogenous methodology for the identification and assessment of risks by all areas responsible. The assessment is based on three dimensions of impact (Economic, Image & Reputation and People) and probability.

In 2015, the Company continued conducting Risk Workshops in order to obtain a consolidated group-wide Risk Map. A group of experts from the various business units/divisions of Repsol participates in the workshops, allowing the company to obtain a comprehensive view of the key risks using a common yardstick and identify efficient mitigation measures.

For Repsol, the Risk Map plays a critical role in identifying the relevant risks and classifying them by severity. To do so, the Company has a methodology for characterising risks in a simple, understandable and robust way and quantifying the potential impact (based on the three dimensions indicated above) on the business unit or area should the risk materialise.

E.5 What risks, including those of tax nature, have occurred during the year?

Although risks deriving from the Company's business materialised during the year, the control systems established by the company worked properly, enabling adequate handling of those risks.

E.6 Explain the response and supervision plans for the main risks to which the company is exposed, including those of tax nature.

Repsol has an organization, procedures and system that enable it to identify, measure, evaluate, prioritize, control and reasonably manage the risks to which the group is exposed, and decide to what extent those risks are accepted, mitigated, hedged or avoided as far as possible.

The response plans are adapted to the peculiarities of each risk. The principal measures taken by the company include:

- Establishing targets, strategic lines and internal regulations (policy, rules,

procedures, manuals and guidelines).

- Analyzing and measuring different variables associated mainly with financial risks (VaR, CFaR) and analysing sensitivity to risk factors.
- Defining, monitoring and continuously assessing the design and functioning of the internal control and compliance systems: Financial Reporting Internal Control System, Program for Regulatory Compliance with the formal legal obligations to Entities of legal persons belonging to the Repsol Group; Crime Prevention Model in the Group's Spanish companies.
- Taking out insurance coverage.

In this regard, part of the process of preparing the 2015 Risk Map involved identifying new lines of response and consolidation above and beyond the current practice, primarily through mitigating actions, for the risks most relevant to the company.

For some extremely critical risks, the Company is working on a tool that will provide a comprehensive overview of the factors that impact the materialisation of a risk event and its consequences in order to prevent them from occurring and/or reduce the impact. This will make it possible to focus efforts on dealing with the risk by emphasising detection and the management of barriers and controls (preventive and contingency measures).

In addition, the company also has several independent analysis, supervision and control units and response units specializing in different areas of risk management, such as:

- Management and Control of Financial Risks
- Safety and Environment
- Corporate Security
- Corporate Responsibility
- Information Systems Risks and Continuity
- Fiscal Policies, Environment and Control of Tax Risks
- Control of Reserves
- Insurance

Finally, the company has an Internal Audit Unit which evaluates and enhances existing controls to make sure that the potential risks (strategic, operational and financial) that may hamper achievement of the Repsol Group goals are reasonably identified, measured and controlled.



INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the system of internal control over financial reporting (ICFR) of your company

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1. Which bodies and/or duties are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision?

As indicated in its Bylaws, the Board of Directors of Repsol, S.A. is responsible for the governance, management and administration of the Company's businesses and interests save insofar as is reserved for the General Shareholders' Meeting. It focuses on the general function of supervision and the consideration of especially important issues for the Company.

The Regulations of the Board of Directors define the powers reserved for the Board, such as drafting the individual and consolidated Annual Financial Statements and Directors' Report and submitting them to the General Shareholders' Meeting. The Board must draw these documents up in clear, precise terms. It must also make sure they give a true and fair view of the net worth, financial position and results of the company and the group, as stipulated in law. Approval of the risk management and control policy, including tax risks, supervision of internal reporting and control systems and approval of the financial information which Repsol, as a publicly listed company, is obliged to publish regularly, are also reserved for the Board of Directors.

The Regulations also establish the Board's responsibility for approving the company's codes of conduct and ethics, its own organization and functioning and that of the Senior Management, as well as specific duties referring to the company's activity on the securities market.

The Board of Directors has a direct relationship with the members of the Senior Management and the company's auditors, respecting their independence at all times.

Point C.1 of this Report contains information on the structure and composition of the Board of Directors.

The Board of Directors has appointed members to sit on several Committees, such as the Audit and Control Committee, whose main purpose according to the Regulations of the Board of Directors is to support the Board in its supervisory duties, through regular checking of the economic-financial reporting process, the effectiveness of its executive controls and the independence of the external auditors, as well as checking fulfilment of all applicable laws and internal regulations.

All the members of the Audit and Control Committee are independent outside directors, with accounting, auditing and/or risk management expertise and experience. The Committee Chairman also has extensive experience in business, risk and financial management and a sound knowledge of accounting procedures. The structure and functioning of this committee are described in point C.2.1 of this Report, which expressly references the procedure for appointing the Committee Chairman.

As established in the Regulations of the Board of Directors regarding internal control and reporting systems, the Audit and Control Committee is responsible, among other duties, for regularly checking the efficacy of the internal control, internal audit and risk management systems, including tax risk, ensuring that the principal risks are identified, managed and reported adequately.

Moreover, according to the aforesaid Regulations, the Audit and Control Committee is responsible for the following duties related to financial reporting process:

- Supervise the preparation and presentation of mandatory financial reporting on the Company and the Group and its integrity, compliance with legal requirements, adequate definition of the consolidated group and correct application of the accounting principles.
- Before they are presented to the Board and with the necessary requirements of checking that they are correct, reliable, sufficient and clear, analyse the Financial Statements of the Company and its consolidated Group contained in the annual, half-year and quarterly reports, and any other financial information which, as a listed company, the Company is obliged to publish regularly, obtaining all the necessary information with the level of aggregation it considers appropriate, for which it will receive the necessary support from the Group's executive management.
- Ensure that the Annual Financial Statements to be presented to the Board of Directors to be authorized for issue are certified as required by the internal or external regulations applicable from time to time.
- Check all significant changes in the accounting principles used and the presentation of the financial statements and make sure they are adequately publicized.
- Strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.
- Examine draft Codes of Conduct and Ethics and modifications thereto, as prepared by the corresponding department of the Group, and issue its prior opinion on the proposals that are to be put to the corporate bodies.

- Take particular care in ensuring compliance with the applicable market conduct regulations and overseeing the actions of the Company's Internal Transparency Committee.
- Make sure that the internal control and recording procedures and systems are sufficient, adequate and effective in the measurement, valuation, classification and accounting of the Group's hydrocarbon reserves, so that their inclusion in the periodical financial reporting complies at all times with the sector standards and applicable legislation.
- Protect the independence and efficacy of internal auditing; analyse and approve, if appropriate, the annual planning of the Internal Audit Department and obtain information on the extent to which the audited units have implemented the corrective measures recommended by the Internal Audit Department in previous inspections. The Audit and Control Committee reports to the Board any situations that may entail a substantial risk for the Group.

F.1.2. State whether the following elements exist, especially in respect of the financial reporting process:

- **Departments and/or mechanisms responsible for: (i) designing and reviewing the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for adequately informing the company**

The internal regulations assign to the People and Organization Direction the duties and responsibilities associated with the study, design, approval and implementation of organizational structures and sizing in the company.

According to those regulations, the organizational structure establishes a hierarchical and functional level for the normal operation of the different business areas within the Group and determining the levels of responsibility, decision-making and functions in each of the business units.

The organizational structure is represented by means of an organization chart and the sizing defined. Approval of a structure requires two approving roles, then line approved and the General Manager for People and Organization, according to the levels established in the regulations.

The organizational principle that governs structure approval is based on the premise that a structure cannot be approved by the person who is directly responsible for it, but by his or her hierarchical superior.

There is also an organizational unit responsible for inputting the approved organizational changes in the computer system, according to the implementation plan defined, which makes it possible to ensure compliance with the requirements established as regards internal control.

- **Code of conduct, approval body, degree of dissemination and information, principles and values included (stating whether there is any specific mention of the operations register and preparation of financial reporting), body responsible for analyzing default and non-compliance and proposing remedial action and penalties**

In addition to the Bylaws, the Regulations of the Board of Directors, the Regulations of the Internal Transparency Committee and other internal rules, the Group also has the “Repsol Code of Ethics and Conduct for Employees”, approved by the Board of Directors based on a favourable report by the Audit and Control Committee. This Code is applicable to all Group employees, including all the directors, executives and employees of Repsol, S.A. and the companies within its group, regardless of the type of employment contract they have, their rank and position and where they work, and anyone transferred temporarily to Repsol to provide professional services (*secondees*). This code outlines and explains the Group’s values (integrity, responsibility, transparency, flexibility and innovation), the minimum rules of conduct that should guide all employees in their actions when performing their professional work and the provisions applicable for any breach of the code. Among other aspects, it considers the basic principles for action in respect of transparency, reliable information and control of records, as well as the processing of confidential, information, establishing specific obligations regarding the recording of transactions and preparation of financial reporting, and the commitment to carry out its activities in accordance with the current legislation in all countries and areas of activity.

In general, new employees are informed of the existence of the “Code of Ethics and Conduct for Repsol Employees” which is placed at their disposal, and they sign an undertaking to comply with its terms. Employees are also regularly offered information and training courses, in order to boost their understanding and proper compliance with the “Code of Conduct and Ethics for Repsol Employees”.

The Company also provides a Welcome Manual, which is being progressively introduced, and is given to those joining the company, setting out the basic rules with which employees should be familiar and should observe from the start of their employment regardless of the division or business in which they are working or going to work, including direct access to each one for consultation. The first set of rules is the “Code of Ethics and Conduct for Repsol Employees”.

Company executives also agree to comply with the Executive Personnel Regulations, as an annex to their contracts. These regulations refer to the principles on which their

professional actions should be based and the Company's values and rules, with a special emphasis on the "Code of Ethics and Conduct for Repsol Employees".

There is a communication channel for the Repsol Code of Ethics and Conduct for Employees, which provides an effective medium for submitting consultations or informing of possible infringements of the conduct regulated in the Code. It can be consulted by Group employees or third parties by applying online through the Group website and the internal portal.

The Ethics Committee ensures supervision and compliance with the Code by all Group employees and deals with all notifications received through the communication channel. The Secretary of this Committee is responsible for processing confidentially the notifications received through this channel.

As established in the Regulations on the Repsol Ethics Committee, the committee consists of the General Counsel and Secretary of the Board of Directors, the Managing Director of People and Organization, the Chief Audit Officer, the Executive Director of Legal Services and the Executive Director of Labour Relations, Legal Labour Management and Safety at Work.

The Group also has an "Anti-Corruption Policy" defining the commitment and principles guiding the actions of Repsol and all its employees in combating corruption. This Policy is developed in the "Repsol Code of Ethics and Conduct for Employees".

In addition, the Group has an "Internal Regulation on Conduct regarding the Securities Market", approved by the Board of Directors following a favourable report by the Audit and Control Committee, which responds to the requirements of Spanish law and develops aspects such as the rules of conduct for dealing in securities and financial instruments issued by the Group that are traded on securities markets, treatment of insider information, reporting of relevant information, trading in own shares, the prohibition on manipulating share prices and the handling and management of conflicts of interest. The Company has formally established mechanisms that promote the dissemination and fulfilment of its provisions within the organization. For this purpose, as stipulated in those Regulations, the Audit and Control Committee shall supervise the obligations established therein and any breach of its provisions will be considered a labour fault, the degree of seriousness of which shall be determined in the ensuing proceedings, pursuant to applicable provisions. An offence may also be considered to exist if the security market regulations are infringed and the infringer may be sued for civil or criminal liability.

Finally, as a Spanish company that must abide by the new laws in Spain that regulate the criminal liability of legal entities, the Group has approved a "Crime Prevention Model" and an "Internal Investigation" procedure through which to structure the prevention model and the corporate response to potentially illegal conduct in relation to ethical aspects for which the Company may be found liable. The goal is to prevent or at least

reduce the risk of such crimes being committed. The Ethics Committee has also been designated as the Criminal Prevention Body.

- **Whistleblowing channel, through which the audit committee can be informed of any financial or accounting irregularities, any breaches of the code of conduct and irregular activities within the organization, indicating whether this channel is confidential**

According to the Regulations of the Board of Directors, the Audit and Control Committee is responsible for establishing a mechanism whereby employees can report, confidentially and, if possible, anonymously, irregularities which could potentially be significant, especially financial and accounting irregularities.

To this end, the Audit and Control Committee has established a specific whistleblowing channel, through which it may be informed on issues relating to accounting, internal control and auditing that affect the Group. The channel is available to employees and third parties through the corresponding applications on the corporate website and on the internal portal.

- **Training programs and regular refresher courses for personnel involved in the preparation and review of financial reporting and ICFR system assessment, covering at least accounting standards, auditing, internal control and risk management.**

Training in Repsol is geared towards developing the professional capacities required for effective performance of the employees' work, supplemented with further training to support and foster progression in their careers. It is based on initiatives intended to structure knowledge, develop skills and foster employees' commitment to the Company's plans, culture and values throughout their careers.

To achieve this, the Company has a broad selection of training activities covering issues ranging from technical aspects, organized specifically for given groups, to other more general aspects, such as management, safety awareness.

Through collaboration between the Repsol Training Centre and each of the units of the Group, Repsol ensures the acquisition and updating of essential knowledge to perform the economic administrative, risks management and internal audit and control duties. The training needs are planned to meet both short and medium-term requirements and the corresponding annual plan is drawn up, identifying and paying attention not only to the form of training best suited to each group but also time enabling the Company to monitor the stated objectives and the quality of training given to each employee. As part of this plan, there are actions designed to distribute the compliance and control models, in particular the Internal Control over Financial Reporting (ICFR) system, to the different people and areas affected by these models.

These needs are met by both internal resources, with training activities designed and given by its own staff with experience and references in their respective fields, and by reputed firms contracted for their quality and specialization. Other resources are also used, such as conferences, talks, discussion forums, workshops and virtual libraries.

F.2 Evaluation of financial reporting risks

Report at least on the following:

F.2.1. What are the main features of the risk identification process, including risks of error or fraud, indicating:

- **Whether the process exists and is documented.**

The Repsol Group has an integrated risk management process as indicated in point E.1 of this report. This process establishes a homogenous methodology of risk identification and assessment by all responsible divisions in the Organization. As a result of the described process, the Repsol Group Risk Map was created, which includes financial reporting risks.

The identification of the principal risks that could affect the financial reporting objectives related to the integrity, valuation and presentation of operations, rights and obligations and which could therefore have a material impact on the reliability of the financial reporting, is performed by preparing a financial reporting risks inventory, classified into the following categories:

- Definition of the general control environment
- Monitoring of regulatory changes
- Making of estimates and subjective calculations
- Identification and recording of business transactions
- Preparation of consolidated financial statements
- Financial reporting

The risk of fraud in financial reporting, which is part of the inventory of financial reporting risks in the category of “General Control Environment” is analysed precisely because of its relevance to the design, implementation and evaluation of the internal control model. This analysis is made taking account mainly of the references to consideration of fraud in risk assessment established within COSO 2013 (“Assesses Fraud Risk” Principle 8) and by the AICPA (*American Institute of Certified Public Accountants*) in its document “*Consideration of Fraud in a Financial Statement Audit*”, Section 316 (Standard Auditing Statement 99). To this end, the following categories of financial reporting fraud risk have been defined:

- Management’s ability to elude internal controls.
- Intentional error on the financial statements.
- Inappropriate use of assets

- **Whether the process covers all financial reporting objectives (existence and occurrence; integrity; valuation; presentation, disclosure and comparability; and rights & obligations), whether it is updated and how frequently.**

The inventory of financial reporting risks covers the main risks associated with the process of preparing the financial statements and other types of risks (operating, financial, tax compliance, labour, regulatory, etc.) to the extent that can have a significant impact on financing reporting.

Each of the aforementioned risk categories consists, in turn, of one or more specific risks, which are linked to the corresponding headings of the financial statements, the respective processes and to the different companies of the Group.

Lastly, the potential impact value of each of the financial reporting risks is established, as well as the probability of this occurring. From these two factors, the severity of each of the risks is established.

The risks inventory is reviewed annually in accordance with the integrated risk management process of the Repsol Group, as indicated in section E.1 of the Annual Corporate Governance Report.

- **There is a process for identifying the scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures or special purpose vehicles.**

There is a process in place for identifying changes in shareholding structure of Group companies. Once the changes are reported, the control structure is analysed on the basis of the applicable accounting standards and principles in order to determine which consolidation method should be used for that company.

From the scope of consolidation and in coordination with the process of identification and regular updating of the inventory of financial reporting risks, a scope model is determined, along with the companies that should be included in the scope on account of their relevance and materiality. This identification includes both quantitative and qualitative criteria.

The determination of companies that are part of the model takes into account those in which control is exercised directly or indirectly, this being understood as the capacity to direct their operating and financial policies in order to obtain a gain on their activities. Therefore, companies in which there is joint control are not included in the model, since the strategic decisions regarding operational and financial activities require the unanimous consent of the parties sharing control.

- **The process takes account of the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.**

In the process of identifying and evaluating financial reporting risk, the Repsol Group considers other types of risk identified in other business units of the Group that could have a relevant impact on the attainment of the organization's operational and strategic goals, such as compliance, insofar as these may have a significant effect on the preparation of financial statements.

- **Which governing body supervises the process.**

The Board of Directors reserves the power to approve the risk management and control policies, including financial reporting and tax risks, and to supervise internal information and control systems.

In accordance with the Regulations of the Board of Directors of Repsol, the Audit and Control Committee periodically reviews the efficiency of internal control, internal audit and risk management systems, including tax risks, so as to identify, manage and properly communicate the main risks.

The Corporate Executive Committee approves the necessary elements of governance in the area of risk management. It will also supervise their proper application and monitor the Company's performance in terms of risks.

The Audit and Control Department is responsible for evaluating the design and operation of the Group's risk management systems.

F.3 Control activities

State whether the company has at least the following, indicating their main features:

- F.3.1. Procedures for review and authorization of financial information to be published in the securities markets and description of the ICFR system, naming the persons responsible, and documentation describing the flows of activities and controls (including those concerning fraud risk) of the different types of transaction that might have a material effect on the financial statements, including the procedure for closing accounts and specific review of significant value judgments, estimates, valuations and projections.**

The Repsol Group has a system of Internal Control over Financial Reporting (ICFR) that meets the requirements of The Stock Market Act 24/1988 of 28 July, amended by the Sustainable Economy Act 2/2011 of 4 March, Ministerial Order ECC/461/2013 of 20 March which determines the contents and structure of annual corporate governance reports, Law 31/2014 of 3 December which amended the Capital Companies Act for

enhanced corporate governance and Circular 7/2015 of 22 December which amended Circular 5/2013 of 12 June of the National Stock Market Commission (*Comisión Nacional del Mercado de Valores*), which establishes the annual corporate governance report models to be used by listed companies.

The Financial Reporting Internal Control System (ICFR) is modelled after the COSO (2013) methodological framework (*Committee of Sponsoring Organizations of the Treadway Commission*) contained in its report, *Internal Control-Integrated Framework*, the object of which is to ensure that all transactions are properly accounted for according to the accounting framework, providing reasonable assurance of the prevention or detection of errors that could have a material impact on the information in the consolidated annual accounts. This financial reporting internal control model is organised around an integrated process that includes the following five components developed in seventeen principles, as established in the COSO 2013 framework.

1. The existence of an adequate **control environment**.
2. The identification, analysis and **evaluation of risks**.
3. The definition and implementation of **control activities** to mitigate the identified risks.
4. **Reporting and communication** to facilitate understanding and the assumption of risk control responsibilities.
5. **Supervision of system operations** in order to evaluate design, performance quality, adaptation, implementation and effectiveness.

The system of Internal Control over Financial Reporting (ICFR) is integrated in the organization through the establishment of structure of roles and responsibilities for the different bodies and functions, which are described in procedures that have been duly approved and distributed within the Group. In addition to the indications in F.1.1 of this Report regarding the processes for checking and authorization of financial reporting by the Board of Directors and the Audit and Control Committee, below are detailed the other **governing bodies and organizational units of the Group assigned relevant roles on this matter**:

- ***Chief Executive Officer (CEO and Chief Financial Officer (CFO):***

At closure of the financial period, all owners of the controls comprising the ICFR system will issue a certificate on the validity and effectiveness of the processes and controls within their area of responsibility. These are annual certificates which, through a hierarchical process rising up through the organizational structure, conclude with a certificate issued by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

- **Internal Transparency Committee:**

The mission of the Internal Transparency Committee is to promote and bolster the necessary policies to ensure that the information provided for shareholders, markets and regulatory authorities is true and complete, adequately reflects the Company's financial position and the results of its operations and is presented in a timely manner and in accordance with the other requirements established in the standards and general principles for markets and good governance applied by the Company. This Committee provides support and assistance to the Chairman of the Board of Directors and the Chief Executive Officer.

According to the Regulations on the Internal Transparency Committee, it is assigned the following duties, among others:

- Supervising the establishment and maintenance of procedures for compiling the information to be published by the Company according to the applicable laws and regulations or which it reports generally to the markets, and all controls and procedures established to make sure that (i) the information is promptly and accurately recorded, processed, summarized and reported, and (ii) the information is compiled and reported to the Group's management and administrative bodies, enabling them to decide in advance on the information that should be published, proposing such improvements as they may deem fit.
- Checking and assessing the accuracy, reliability, adequacy and clarity of the information contained in the documents to be presented publicly, especially any disclosures to be made to the regulating authorities and brokers on the securities markets in which the Company's shares are listed.

The Internal Transparency Committee is made up of the heads of the units responsible for the economic, tax, legal, communication, strategy, audit & control, investor relations, corporate governance, reserves control, management control & planning, people & organization and the different business areas.

- **Business Units and Corporate Areas identified as "owners of the controls":**

Within the Group, the different Business Units and Corporate Areas identified as "owners of the controls" are those responsible for ensuring the adequate design and validity of the processes and the validity, execution and adequate functioning of the controls associated therewith. Of these, the Units with an especially important role in the development, maintenance and functioning of the ICFR system are:

- The Unit that prepares the financial statements and economic-financial reporting. It also defines the inventory of controls and processes of the ICFR system required to guarantee the reliability of the financial information, coordinating with the Corporate Division of Audit and Control, as a result of its process of defining and assessing the Group ICFR system.

- The Unit that guarantees fulfilment of tax obligations, tax counselling, monitoring, evaluation and implementation of changes in law and regulations, identification, control, monitoring, assessment and management of tax risks, and tax information for the financial statements. Moreover, according to the Code of Good Tax Practice and Law 31/2014 which amended the Capital Companies Act for enhanced corporate governance, the Board of Directors, as part of its inalienable powers in the fiscal realm, verifies that the Company's tax policies are being properly applied on a yearly basis.
- The Unit that monitors, analyses, reviews and interprets the accounting standards contained in the different regulatory frameworks applicable to the Group.
- The Units that guarantee the efficient use of financial resources, optimization of financial earnings and an adequate monitoring and control of financial, market and credit risks so as to ensure the continuity and development of business plans.
- The Unit that establishes the criteria for defining the organizational structure and sizing of the Group and sets the guidelines and criteria governing development of the internal regulatory framework and defines the Annual Training Plan.
- The Unit that ensures that the estimates of the Group's proven reserves of hydrocarbons conform to the regulations issued by the different securities markets on which the Company's shares are listed, makes the internal audits of reserves, coordinates the certificates of the external auditors of reserves and assesses the quality controls regarding information on reserves, taking any appropriate actions, within a process of continuous improvement and application of the best practices.
- The Units responsible for legal affairs in the Group, which provide legal counselling, legal defence and handling of its legal affairs in all contentious proceedings and processes, providing legal support for the Group's actions, rights and expectations with a view to giving them legal security and efficacy and minimizing possible legal risks.
- The unit that defines the guidelines, criteria and indicators of management control monitors the business activities and the approved investments and oversees compliance with the commitments assumed, proposing corrective measures as needed.

Processes, activities and controls

The ICFR system documents basically comprise the following:

- Financial reporting risk map
- Model of scopes
- Supporting documentation for processes through ICFR system
- Inventory of controls identified in the different processes
- Outcome of design tests and functioning of controls
- Certificates of validity and effectiveness issued for each financial year.

The ICFR model is supported by a set of standards and procedures and is contained in the Manual of Internal Control over Financial Reporting.

The system of Internal Control over Financial Reporting is articulated through a process which, based on the identification and evaluation of financial reporting risks, defines a scope model that includes the most important headings in the financial statements, the companies affected, the relevant and material processes involved in preparing, reviewing and subsequently distributing the financial information and the control activities intended to prevent and detect potential errors, including fraud.

In order to define the companies involved, the first step is to update the list of consolidated companies. As explained in section F.2.1 of this report, there is a process for updating the list of consolidated companies based on changes to the stockholding composition and the control structure of investee companies according to applicable accounting standards. The ICFR includes operating controls for those companies that are directly or indirectly controlled by Repsol. For all other relevant non controlled companies not included in the scope of consolidation, it also includes controls designed to protect the homogeneity, validity and reliability of the financial information submitted by the companies for inclusion in the consolidated financial statements.

For each one of the relevant processes and companies included on the consolidation list, the significant financial reporting risks are identified along with the control activities to mitigate those risks.

The following types of controls are distinguished in the ICFR system:

- **Manual:** those carried out by human actions, using computerized tools or applications.
- **Automatic:** those carried out with computerized tools or applications.
- **General computer controls:** those that reasonably guarantee the reliability, integrity, availability and confidentiality of the information contained in applications relevant to the financial reporting.

These three types of controls are characterized as:

- **Preventive:** created to prevent errors or cases of fraud that could result in an error in the Repsol Group's financial reporting.
- **Detective:** their goal is to detect existing errors or cases of fraud that could result in an error in the Repsol Group's financial reporting.

Relevant judgments, estimates, valuations forecasts

The financial reporting process sometimes requires assumptions and estimates to be made, which may affect the amount of assets and liabilities recognized, the presentation of contingent assets and liabilities and the recognized income and expenses. These estimates may be affected, among other causes, by changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions.

In this regard, the Group's methodology is designed to identify the areas responsible and establish homogenous criteria for estimates and value judgments in the processes considered important for the preparation of financial reporting, namely, and in accordance with that set forth in Note 3 "Estimates and judgments" of the Consolidated Financial Statements 2015 of the Repsol Group, those concerning reserves of crude and gas, business combinations, provisions for litigation, breakdowns and other contingencies, calculation of income tax and deferred tax assets and liabilities, impairment tests of the recoverable value of assets and the market valuation of financial instruments. The results of these estimates are reported to the management and governing bodies of the Group.

In addition, the aforementioned bodies are regularly informed of any business affecting its business development and which could have a material effect on the Group's financial statements.

It also periodically monitors the main variables which have or may have an impact, directly or through estimates and judgments, in quantifying assets, liabilities, income and expenses of the Group.

F.3.2. Reporting system policies and procedures for internal control (including, among others, access security, control of changes, operation, operating continuity and separation of duties) of the significant processes in the company referring to the preparation and publication of financial information

The Repsol Group has a specific body of regulations in its IT Systems area based on ISO 27001, laying down the general principles for the different processes in that area.

Considering that the Group's transaction flows are mainly made through IT Systems, an Information Systems Control Framework, consisting of a set of controls called "general computer controls", has been established which reasonably guarantee the trustworthiness, integrity, availability and confidentiality of the information contained and processed in the relevant applications for financial reporting.

The systems linked to the process of preparing financial information conform to the security standards established in the regulations and are audited to ensure proper functioning of the Information Systems Control Framework by validating its constituent general computer controls.

These general computer controls grouped into the areas of: access security, life cycle systems development and assurance operations, help to guarantee that several control targets are obtained within the ICFR system assessment, since they have the following features:

- Contribute towards ensuring the precision, accuracy and validity of the transactions executed in the applications, since they are integrated in the logics of those applications in order to prevent and/or detect unauthorized transactions.
- They are applied to the interfaces with other systems, in order to check that information input is complete and precise, and that output is correct.

The scope of the general computer controls covers applications relevant for financial reporting and infrastructure elements that serve these applications (e.g. technical platforms, servers, databases, data processing centres, etc.).

The Repsol Group has developed a segregation of duties model in the systems for preventing and reducing the risk of errors (intentional or otherwise), especially the fraud factor in the financial reporting process. Incompatibility matrices have been installed in the applications used by the relevant processes covered by the ICFR system, with which it is possible to monitor conflicts continuously and detect cases in which the functions are not exercised according to defined profiles.

F.3.3. Internal control policies and procedures for supervising management of the activities subcontracted to third parties and any aspects of assessment, calculation or valuation outsourced to independent experts that may produce a material effect on the financial statements

The Repsol group has a procedure for identifying, establishing control criteria and supervising the activities of third party subcontractors in different business processes. According to this procedure, the group analyses the types of activities carried out by these suppliers and their impact and draws conclusions as to whether the activities have a material impact on the financial statements from the following perspectives:

- Significant transactions for the Group's financial statements.
- Manual or automated procedures for initiating, recording, processing or reporting significant transactions from the beginning until they are included in the financial statements.
- Manual or automatic accounting records that support the collection, recognition, processing and reporting of specific transactions, information or accounts on the Group's financial statements.
- Relevant information systems for capturing significant events and conditions for inclusion in the operating results and preparation of the financial statements.
- Financial reporting process used to prepare the financial statements, including the accounting estimates and the disclosure of significant information.

Once the subcontracted activities that can have a material effect on the financial statements have been identified, the internal controls of the services rendered are supervised to ensure their adequacy. In this regard, according to the COSO 2013 methodology and ISA 402 (International Standard on Auditing), the Repsol Group has chosen the following approaches:

- Conducting independent evaluations of the supplier's internal control systems.
- Requesting independent auditors' reports from third party subcontractors to obtain relevant information on their internal control systems. Some examples of the reports include SOC (Service Organization Control) under Standard SSAE 16 of AICPA (American Institute of Certified Public Accountants) or standard ISAE 3402 (International Standards on Assurance Engagements 3402).
- Understanding on the part of the user of the service of the nature of the service and identification of mitigating controls within the financial reporting process of the Repsol Group.

The Reserves Control Unit audits the estimates of reserves made by the Group's operating units, through internal and external audits. The significant aspects identified in those audits are taken as the basis for determining the reserves, according to the Group's Reserves Manual, which are presented to the Corporate Executive Committee and the Audit and Control Committee.

F.4 Information and communication

Report, indicating whether the company has at least the following, indicating their main features:

- F.4.1. A specific function designed to define and keep the accounting policies up to date (accounting policy department or division) and solve any queries or conflicts deriving from their interpretation, maintaining fluent communication with those responsible for operations in the organization, and an updated accounting policy manual distributed among the units through which the company operates**

The Group has a Unit responsible for monitoring, analyzing and reviewing the accounting principles and policies established in the regulatory framework that applies to the preparation of financial statements, analyzing and answering consultations on their interpretation and adequate application. The organizational units involved in preparing financial information are periodically informed of any new aspects of accounting techniques and regulations and the outcome of the different analyses made.

There are also accounting principles manuals, which establish the accounting standards, policies and principles applied by the Group. These manuals are revised and updated periodically and whenever there is a material change in the applicable regulations. The manuals are available on the internal communication network.

- F.4.2. Mechanisms for collecting and preparing financial information with homogenous formats, application and use by all units of the company or group, covering the principal financial statements and notes and the information given on the ICFR system**

The Group has integrated IT systems for both recognizing transactions in the accounts and preparing the individual and consolidated financial statements. It also has processes for centralized coding and parameterization processes which, together with the accounting principles manuals, guarantee the integrity and homogeneity of the information. Finally, there are also tools used for processing the information in order to obtain and prepare the breakdowns provided in the notes to the financial statements. The systems linked to the preparation and reporting of financial information meet the security standards established by the general computer controls defined for IT systems. (See section F.3.2. of this Report.)

F.5 Supervision of the functioning of the system

State whether the company has at least the following, indicating their main features:

- F.5.1. ICFR system supervisory activities performed by the audit committee and whether the company has an internal audit department which, among other duties, assists the committee in its supervision of the internal control system, including the ICFR system. Indicate the scope of assessment of the ICFR system made in the year and the procedure through which the person responsible for making the assessment reports on its outcome, whether the company has an**

action plan describing possible corrective measures and whether its impact on financial reporting has been considered

According to the Regulations of the Board of Directors, the Audit and Control Committee is responsible for supervising the assessment and presentation, as well as the integrity of the financial information on the Company and the Group, checking compliance with legal provisions, adequate definition of the consolidated group and correct application of the accounting principles, and regularly checking the effectiveness of the internal control and risk management systems, ensuring that the principal risks are identified, managed and reported adequately.

The Audit and Control Committee also analyses and approves, where appropriate, the annual planning of the Internal Audit Department and other occasional or specific additional plans required as a result of changes in legislation or the needs of the Group.

The annual planning of the Internal Audit Department is structured to assess and supervise the correct functioning and adequacy of the Group's internal control and risk management systems (operational, strategic, financial and compliance).

The Audit and Control Direction reports to the Audit and Control Committee and performs the audit and control duties established in international standards in line with the best market practices, as well as the requirements of the different regulatory frameworks applicable in the countries in which the Repsol Group has businesses and activities. It has a "Quality Assurance and Enhancement Plan", assessed regularly, to assure quality in its duties, the results of which are reported to the Audit and Control Committee.

The Audit and Control Division is responsible for seeing that the design and functioning of the Internal Control and Risk Management Systems in the Group are reasonable and adequate, contributing towards their improvement and covering the following control objectives:

- Any risks that may affect the organization are adequately identified, measured, prioritized and controlled
- Transactions are efficient and effective
- Transactions are made in compliance of applicable laws, regulations and contracts and prevailing policies, rules or procedures
- The assets are adequately protected and reasonably controlled
- The most significant financial, management and operating information is prepared and reported adequately.

The Audit and Control Direction supports the supervisory work of the Board of Directors, Audit and Control Committee and Internal Transparency Committee over the Financial Reporting Internal Control System (ICFR).

The Audit and Control Department reports to the Audit and Control Committee on the conclusions of all work done, the corrective measures proposed and the degree of fulfilment of each one. This Corporate Department provides supporting any significant irregularities, anomalies or non-compliance committed by the audited units, reporting to the Board any cases that may entail a major risk for the Group.

The Audit and Control Direction reports any weakness or incident detected in the updating or assessment of the ICFR system to the owners of the controls.

After year-end, the Audit and Control Direction informs the Internal Transparency Committee, the Audit and Control Committee and the Board of Directors on the outcome of the ICFR system assessment and any defects found during the assessment.

The Corporate Audit and Control Department has assessed the effectiveness of the ICFR system corresponding to 2015, and did not find any qualifications, concluding that it is effective, based on the criteria established by COSO 2013.

F.5.2. If there is a discussion procedure through which the accounts auditor (as established in the technical audit standards), the internal audit department and other experts can inform the senior management and audit committee or company directors of any significant weaknesses in internal control detected during their checking of the annual financial statements or such others commissioned to them. State also whether it has an action plan to correct or mitigate the weaknesses observed.

As mentioned in point F.5.1 of this Report, the Audit and Control Division reports to the Audit and Control Committee on the conclusions of all work done, the corrective measures proposed and the degree of fulfilment of each one.

One of the duties of the Audit and Control Committee is to establish appropriate relations with the External Auditor to receive regular information on the audit plan and the results of its implementation, and on any other issues concerning the audit process and corresponding rules and regulations. It also verifies that the management team bears in mind the recommendations made by the External Auditor.

The Audit and Control Committee also requires the External Auditor periodically, at least once a year, to assess the quality of the internal control procedures and systems and discuss with it any significant weaknesses detected during audit, and requests the External Auditor's opinion on the effectiveness of the ICFR system.

F.6 Other relevant information

On 8 May 2015, Repsol acquired 100% of Talisman Energy Inc. (hereinafter “Talisman”), a company organised under the business laws of Canada (“Canada Business Corporations Act”) whose stocks traded on the Toronto and New York stock exchanges.

In 2014, Talisman, as a company listed on the New York stock exchange, was supervised by the US regulator, the Securities and Exchange Commission (SEC). More specifically, in relation to internal control over financial reporting, it was bound by the terms of the Sarbanes Oxley Act and the guidelines developed on the subject by the Securities and Exchange Commission (SEC).

On 3 March 2015, Ernst & Young LLP issued a report on Talisman’s System for the Internal Control over Financial Reporting (ICFR) for the year 2014, in which they stated that the company’s Internal Control over Financial Reporting was, in all material aspects, effective and based on the guidelines of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report, Internal Control Integrated Framework (2013 Framework).

When the acquisition was complete, Talisman’s ordinary shares were excluded from trading on the Toronto and New York stock exchanges.

However, Talisman continues to be a reporting issuer under applicable Canadian securities laws and thus continues to be subject to some disclosure obligations applicable to reporting issuers.

Because of this, in 2015 Talisman’s ICFR system remained in place with the same requirements as in prior year and its effectiveness was verified by the external auditors Ernst & Young LLP.

In 2015, following the acquisition, Talisman’s processes and relevant internal controls over financial reporting were included in the Repsol Group’s ICFR. c

F.7 External Auditor’s report

Report on:

F.7.1. Whether the ICFR system information remitted to the markets has been checked by the external auditor, in which case the Company should include the latter’s report in an annex hereto. Otherwise, state reasons.

The Group has asked the External Auditor to check the effectiveness of the system of internal control over financial reporting (ICFR) in respect of the financial information contained in the consolidated annual financial statements of the Repsol Group as at 31 December 2015.

G

EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Good Governance Code for listed companies.

If any recommendation is not followed or is only partly followed, include a detailed explanation of the reasons so that shareholders, investors and the market in general have sufficient information to assess the company's actions. General explanations are not acceptable.

- 1. The Articles of Association of listed companies should not limit the maximum number of votes that may be cast by an individual shareholder or impose other restrictions hampering takeover of the company via the market acquisition of its shares.**

Complies ☒ Explanation ☐

- 2. When both the parent company and a subsidiary are listed, they should both publish a document specifying exactly:**

- a) The types of activity they are respectively engaged in and any business dealings between them, and between the listed subsidiary and other group companies;**
b) The mechanisms in place to solve any conflicts of interest.

Complies ☐ Partial compliance ☐ Explanation ☐ N/A ☒

- 3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

- a) Changes taking place since the previous annual general meeting.**
b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Complies ☒ Partial compliance ☐ Explanation ☐

- 4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position. This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.**

Complies ☒ Partial compliance ☐ Explanation ☐

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies ☒ Partial compliance ☐ Explanation ☐

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor's independence.

b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

c) Audit committee report on third-party transactions.

d) Report on corporate social responsibility policy.

Complies ☒ Partial compliance ☐ Explanation ☐

7. The company should broadcast its general meetings live on the corporate website.

Complies ☒ Explanation ☐

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Complies ☒ Partial compliance ☐ Explanation ☐

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies ☒ Partial compliance ☐ Explanation ☐

- 10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:**

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies ☐ Partial compliance ☐ Explanation ☐ N/A ☒

- 11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.**

Complies ☐ Partial compliance ☐ Explanation ☐ N/A ☒

- 12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value. In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment .**

Complies ☒ Partial compliance ☐ Explanation ☐

- 13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.**

Complies ☐ Explanation ☒

Considering the capital structure and how the capital is represented on the Company's governing bodies, the General Meeting considered it to be in the company's best interest to add to the governing bodies persons of the highest professional repute from the auditing,

financial-accounting, industrial and stock market sectors whose points of view can enhance the decision-making capacity of the board of directors.

To this end, the Board of Directors proposed to the General Shareholders Meeting held on 30 April 2014 that the number of board members be set at 16 (within the minimum and maximum limits of 9 and 16 established in the Bylaws).

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable;**
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and**
- c) Favours a diversity of knowledge, experience and gender.**

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies ☒ Partial compliance ☐ Explanation ☐

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies ☒ Partial compliance ☐ Explanation ☐

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital. This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies ☒ Explanation ☐

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies ☒ Explanation ☐

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company, and any options on the same.

Complies ☒ Partial compliance ☐ Explanation ☐

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies ☐ Partial compliance ☐ Explanation ☐ N/A ☒

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies ☐ Partial compliance ☐ Explanation ☐ N/A ☒

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the

changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies ☒ Explanation ☐

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies ☒ Partial compliance ☐ Explanation ☐

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies ☐ Partial compliance ☐ Explanation ☐ N/A ☒

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Complies ☒ Partial compliance ☐ Explanation ☐ N/A ☐

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Complies ☒ Partial compliance ☐ Explanation ☐

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies ☒ Partial compliance ☐ Explanation ☐

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions:

Complies ☒ Partial compliance ☐ Explanation ☐

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Complies ☐ Partial compliance ☐ Explanation ☐ N/A ☒

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies ☒ Partial compliance ☐ Explanation ☐

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies ☒ Partial compliance ☐ Explanation ☐

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies ☒ Partial compliance ☐ Explanation ☐

- 32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.**

Complies ☒ Partial compliance ☐ Explanation ☐

- 33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.**

Complies ☒ Partial compliance ☐ Explanation ☐

- 34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.**

Complies ☒ Partial compliance ☐ Explanation ☐ N/A ☒

- 35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.**

Complies ☒ Explanation ☐

- 36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:**

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees.

c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies ☒ Partial compliance ☐ Explanation ☐

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Complies ☒ Partial compliance ☐ Explanation ☐ N/A ☒

38. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Complies ☒ Partial compliance ☐ Explanation ☐ N/A ☐

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Complies ☒ Partial compliance ☐ Explanation ☐

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies ☒ Partial compliance ☐ Explanation ☐

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies ☒ Partial compliance ☐ Explanation ☐ N/A ☒

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies ☒ Partial compliance ☐ Explanation ☐

- 43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.**

Complies ☒ Partial compliance ☐ Explanation ☐

- 44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.**

Complies ☒ Partial compliance ☐ Explanation ☐ N/A ☐

- 45. Risk control and management policy should identify at least: a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks. b) The determination of the risk level the company sees as acceptable. c) The measures in place to mitigate the impact of identified risk events should they occur. d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.**

Complies ☒ Partial compliance ☐ Explanation ☐

- 46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities: a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified. b) Participate actively in the preparation of risk strategies and in key decisions about their management. c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.**

Complies ☒ Partial compliance ☐ Explanation ☐

- 47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.**

Complies ☒ Partial compliance ☐ Explanation ☐

- 48. Large cap companies should operate separately constituted nomination and remuneration committees.**

Complies ☒ Partial compliance ☐ Explanation ☐

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors. When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Complies ☒ Partial compliance ☐ Explanation ☐

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Complies ☒ Partial compliance ☐ Explanation ☐

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies ☒ Partial compliance ☐ Explanation ☐

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all board members.

Complies ☒ Partial compliance ☐ Explanation ☐ N/A ☒

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies ☒ Partial compliance ☐ Explanation ☐

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies ☒ Partial compliance ☐ Explanation ☐

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies ☒ Partial compliance ☐ Explanation ☐

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies ☒ Explanation ☐

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies ☒ Partial compliance ☐ Explanation ☐

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and

not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies ☒ Partial compliance ☐ Explanation ☐ N/A ☐

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies ☒ Partial compliance ☐ Explanation ☐ N/A ☐

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies ☒ Partial compliance ☐ Explanation ☐ N/A ☐

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies ☐ Partial compliance ☐ Explanation ☒ N/A ☐

Being a new recommendation of the Code of Good Governance for Listed Companies and the fulfilment requires the approval by the General Meeting, the Company is analyzing this recommendation.

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies ☐ Partial compliance ☐ Explanation ☒ N/A ☐

Being a new recommendation of the Code of Good Governance for Listed Companies, the Company is analyzing the implementation of this recommendation.

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Complies ☒ Partial compliance ☐ Explanation ☐ N/A ☐

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies ☒ Partial compliance ☐ Explanation ☐ N/A ☐

H OTHER INFORMATION OF INTEREST

- 1. If you consider there to be any important aspect regarding the corporate governance practices applied by your company or other companies in the group that have not been mentioned in this report, but which should be included to obtain more complete, reasoned information on the corporate governance practices and structure in the company or group, describe them below and give a brief explanation.**

It is noted that the data contained in this report relate to the fiscal year ended 31 December, 2015, except in those cases where a different date of reference is explicitly stated.

1. Note to A.1.

On 8 January 2016 the Chief Executive Officer of Repsol, exercising the powers delegated to him by the Board of Directors on 30 April 2015 (in turn exercising the powers delegated in the resolution passed to increase the capital under item six on the agenda for the Annual General Meeting held on 30 April 2015), resolved to complete and declare closed the capital increase made by Repsol, bringing the company's capital to 1,441,783,307 euros, divided into 1,441,783,307 shares and 1,441,783,307 voting rights.

2. Note to A.2.

The details set out in this section, as of December 31, 2015, are obtained from the last information supplied by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima Unipersonal (IBERCLEAR), and from the information sent by shareholders to the Company and to the Comisión Nacional del Mercado de Valores (CNMV).

Notwithstanding the foregoing, according to the latest information available from the Company at the time of preparation of the annual accounts, the shareholders of the Company are as follows:

Name of shareholder	Interest / total voting rights (%)
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona	11.37
Sacyr,S.A.	8.48
Temasek Holdings (Private) Limited	4.95
Blackrock, Inc	3.04

- (1) Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona holds its stake through Caixabank, S.A.
(2) Sacyr, S.A. holds its stake through Sacyr Participaciones Mobiliarias, S.L.
(3) Temasek holds its stake through its subsidiary Chembra Investment PTE, Ltd.
(4) Blackrock holds its stake through various funds and accounts managed by investment managers it controls.

3. Note on section A.8

The 1.252% treasury stock percentage indicated as of December 31, 2015 has been calculated considering the shares issued on the free-of-charge capital increase that, within the framework of the shareholders' pay-out programme "Repsol Flexible Dividend", was recorded on the Madrid Commercial Registry on January 12, 2016 and that for accounting effects has been recorded on the financial statements of the Group as of December 31, 2015. As a result of said capital increase and in relation to the referred calculation, the Group received the proportional amount of new shares corresponding to the shares held as treasury stock before said capital increase.

4. Note on section A.10

With regard to the legal restrictions on the purchase or sale of shares in the capital, under Supplementary Provision 11th to the Hydrocarbons Act 34/1998, as drafted in Royal Decree-Law 4/2006 of February 24, prior administrative authorisation by the Comisión Nacional de Energía must be sought for certain acquisitions or investments in companies that engage in regulated activities or activities subject to significant oversight by administrative bodies that implies special regulation.

On July 28, 2008, the European Court of Justice determined that Spain had, through the imposition of this requirement of administrative authorisation by the Comisión Nacional de Energía, failed to fulfil its obligations under Articles 43 and 56 of the EC Treaty.

5. Note on section C.1.16

The item "Total remuneration senior management" includes:

- Fixed remuneration and remuneration in kind of the senior management during 2015.
- The annual and multi-annual variable remuneration Variable Incentive Program for the Medium-Term 2012-2015 and other items accrued by members of senior management during 2015
- Loyalty Incentive Scheme: On May 31, 2015 the consolidation period of the 2nd Cycle of the Scheme was completed. As a result of this As a result and pursuant to the provisions in Note 27 of the Annual

Report, consolidated senior management rights 22,445 delivering gross shares valued at a price of 16.88 euros per share. These amounts are included within the concept of pay in kind.

The cumulative rights corresponding to pension commitments contracted with the current members of the senior management total 19,258 thousand euros, of which 1,764 thousand euros were contributed in 2015.

The amount indicated in this section does not include the amounts paid to executives who caused leave in the Company and as a compensation for termination of contract and compensation for non-competition agreement amounting to 15.275 million euros.

6. Note on section C.1.29

In relation to the number of meetings held during the year the different committees of the Board, it stated that until May 27, 2015 the structure of the Committees of the Board of Directors of Repsol was done differently. So that there was a single Nomination and Compensation instead of two separate committees and instead of Sustainability Committee, the Strategy, Investment and Corporate Responsibility existed.

In this regard it is noteworthy that in addition to the meetings held after the adoption of the new structure of commissions detailed in the section C.1.16, have held the following meetings during the year:

- The Nomination and Compensation Committee met on 4 occasions until May 27, 2015.
- The Strategy, Investment and Corporate Responsibility Committee met on 1 occasion until 27 May 2015.

7. Note on section C.1.37.

Additionally, the fees charged in 2015 by Ernst & Young for audit work and other services rendered to the Talisman Energy Inc. Group as a controlled company at the end of 2015:

EY	TALISMAN
Non-auditing work (thousands)	553
Ratio of non-auditing work to total invoiced by the auditing firm (percentage %)	12%

8. Note on section D.2

The information on operations identified in the category titled "Leases" refers to those in which the Group is lessee, net of those in which it is lessor.

The transactions identified as "Other" with "La Caixa" group refer primarily to current investments and deposits.

The transactions identified as “Other” with the “Temasek” group refer primarily to a commitment with Talisman to sell gas in the Corridor block in Indonesia.

The transactions identified as “Other” with Sacyr, S.A. refer primarily to purchase commitments in effect at 31 December 2015, net of sales commitments.

9. Note on section D.4.

For related party transactions with group companies established in tax havens or territories considered tax havens, the transactions carried out by Repsol with such companies are reported, broken down by the amounts corresponding to the individual companies, without considering eliminations for consolidation.

We have considered those transactions with Group companies whose business or tax domicile is established within any of the territories on the list of tax havens contained in RD 1080/1991, excluding those with which there is double taxation treaty in place with Spain that includes a clause for sharing tax information in which it is explicitly stated that they are not considered tax havens.

- 2. This section may be used to include any other information, clarification or qualification relating to the previous sections of the report, provided it is relevant and not repetitive.**

In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.

- 3. The company may also state whether it has voluntarily applied any international, sector-based or other codes of ethical principles or good practices. If so, it should name the code in question and the date of its accession. In particular, the company should state whether it has signed onto the Code of Best Tax Practices of 20 June 2010.**

Repsol signed the Code of Best Tax Practices (Codigo de Buenas Practicas Tributarias) on 23 September 2010 promoted by the Forum of Large Enterprises and the Spanish Tax Administration Agency (AEAT) and the Company complies with the provisions thereof.

This annual corporate governance report was approved by the Company’s Board of Directors on 24 February 2016.

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

Yes ☐ No ☒

Name of director who did not vote in favour of approved this report	Reasons (against, abstention, non-attendance)	Explain the reasons

Repsol, S.A.

Auditors' Report on the System of Internal Control over Financial Reporting

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

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

INDEPENDENT REPORT ON THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

To the shareholders of Repsol, S.A.,

Scope of the Work

We have conducted the reasonable assurance review of the information relating to the System of Internal Control over Financial Reporting (ICFR) of Repsol, S.A. and Subsidiaries (the Repsol Group) for the year ended 31 December 2015.

The objective of this system is to contribute to the faithful representation of the transactions performed and to the provision of reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements.

The aforementioned system is based on the rules and policies defined by the Board of Directors of Talisman Energy in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report.

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are performed only in accordance with the authorisations established; (iii) provide reasonable assurance that transactions are recognised appropriately to enable the preparation of the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisition, use or sale of the company's assets that could have a material effect on the financial information. In view of the limitations inherent to any system of internal control over financial reporting, certain errors, irregularities or fraud might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that internal control may be rendered inadequate as a result of future changes in the applicable conditions or that there may be a reduction in the future of the degree of compliance with the policies or procedures established.

Directors' Responsibility

The Board of Directors of Repsol, S.A. is responsible for maintaining the system of internal control over the financial information included in the consolidated financial statements and for evaluating its effectiveness.

Our Responsibility

Our responsibility is to issue a report on the independent reasonable assurance review of the effectiveness of the System of Internal Control over Financial Reporting (ICFR) based on the work performed by us.

Our work includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the consolidated financial statements of the Repsol Group as at 31 December 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Repsol Group.

Our work was performed in accordance with the requirements established in Standard ISAE 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

This standard requires the planning and performance of procedures and the obtainment of sufficient evidence to reduce engagement risk to an acceptably low level in the circumstances of the engagement, and the issuance of a positive conclusion.

Independence

Our work was performed in accordance with the independence standards required by the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behaviour.


In accordance with International Standard on Quality Control (ISQC) 1, Deloitte has in place a global system of quality control which includes documented policies and procedures in relation to compliance with ethical requirements, professional standards and applicable legislation.

Conclusion

In our opinion, as at 31 December 2015, the Repsol Group maintained, in all material respects, an effective system of internal control over the financial information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by the Board of Directors of Repsol, S.A. in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report “Internal Control-Integrated Framework (2013)”. Furthermore, the disclosures contained in the information relating to the system of ICFR which is included in Note F of the Repsol Group’s Annual Corporate Governance Report as at 31 December 2015 are in compliance, in all material respects, with the requirements established by the Corporate Enterprises Act, the Order ECC/461/2013, of 20 March and Circular 7/2015, of 22 December, as amended by the Spanish Securities Market Commission Circular 5/2013, of 12 June.

As described in the accompanying Note F of the Annual Corporate Governance Report, the system of ICFR does not include controls on companies integrated in the consolidated financial statements in which control is not exercised directly or indirectly since the strategic decisions regarding operational and financial activities require the unanimous consent of the parties sharing control. Nevertheless, Repsol Group includes controls designed to protect the homogeneity, validity and reliability of the financial information submitted by the companies for inclusion in the consolidated financial statements. Consequently, our work did not include an examination of the effectiveness of the system of internal control over the generation of the financial information of the aforementioned companies included in the consolidated financial statements of the Repsol Group.

DELOITTE, S.L.



Jorge Izquierdo Mazón

24 February 2016