

# 2012 Corporate Responsibility Report



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# Interview with the Chairman and CEO

## **What are the big challenges facing our sector in the future?**

The energy industry is currently facing major challenges that merit deep reflection and analysis. We have entered a key phase characterized by a dual reality. Europe is immersed in a deep recession, the outcome of which has yet to come and which has slowed consumption at all levels. However, in other parts of the world we are witnessing an increase in energy consumption, driven by enormous demographic growth, especially in the size of the middle classes. According to an OECD report, the population of “the global middle class” will rise from 1.8 billion in 2009 to 4.9 billion in 2030. This creates huge challenges in terms of the production and demand for natural resources.

We must also address deep inequalities in access to energy. It is a well-known fact that 1.3 billion people currently live without electricity and 2.5 billion have no access to modern household fuels, with the resulting impact on health and life expectancy.

But this redress cannot be achieved at any price. A balance must be found between the demands of human development and the planet's capacity to absorb the impacts of our need for essential raw materials and natural resources. Success will depend on our ability to manage these resources in a sustainable way.

## **How should we approach this situation with respect to energy and the economy?**

We must tackle the challenge in accordance with the principles that we have espoused for the past decade, and on which we are based: sustainability, intelligence, efficiency and talent.

In a constantly changing world, one characterized by the speed of change, only an open and flexible attitude can respond to new challenges and identify new opportunities. If we're unable to see how the world is changing, if we're unable to anticipate what the world requires of us, then we're done for. That's why we must be alert and attentive to everything that society requires and will require of us, which will certainly be quite different from what it required of us in the past.

As we outline in our company vision, at Repsol *“we want to be a global company that seeks the welfare of people and is a step ahead in building a better future through the development of smart energy. With effort, talent and enthusiasm, we're making progress to deliver the best energy solutions for society and the planet”*.

This vision is sustained by innovation and enterprise, both based on individual and collective talent, and on the values of people and the organization itself, which will allow us to achieve our sustainability targets in the medium and long term.

At Repsol, we believe that competitiveness and the ability to evolve can be found in our skill at generating original ideas and putting them into practice in a climate of collaboration and learning.

Companies have no greater enemy than inaction, of becoming a hostage of the financial crisis, allowing themselves to go with the flow or sinking into a risk-averse routine. Enterprise and innovation must go hand in hand, not in a foolhardy way but with daring. Nothing ventured, nothing gained. Our companies must be more dynamic, anticipating change before it is imposed upon us.

## **What would you highlight in Repsol's sustainability performance in 2012?**

We have again won recognition as Oil & Gas Supersector Leaders in the Dow Jones Sustainability World and Europe Indexes, thanks to our economic, social and environmental performance. That isn't easy, when you remember that of the 125 international oil and gas companies that were analyzed, only 15 are on the world list and only 5 make it onto the European index. Receiving this recognition two years in a row reflects well on the company's efforts to improve its performance each day, but we must not be complacent, we still have much work to do in terms of sustainability.

During 2012, we revised and updated our Ethics and Conduct Regulation, which sets out our model for behavior in company activities and operations: we always operate within ethical boundaries, respecting human rights, minimizing environmental impacts and exerting all our influence so that our partners, suppliers, contractors and collaborators perform in a manner consistent with our own.

We continue working to integrate respect for human rights into company processes, and we are preparing a Policy on Respect for Human Rights, which will be approved over the course of 2013. This policy expresses our commitment as well as our stakeholders' fundamental rights and behavioral expectations in terms of human rights.

We continue to meet our safety objectives, with a Lost Time Injury Frequency Rate that has fallen by more than 15% compared to the previous year. At Repsol, we require a high level of safety in all our operations. That's why we have pledged to promote a culture that helps us achieve accident-free workplaces and operations. We must keep working to make safety more deeply rooted in our corporate culture.

In June, we concluded the first round of awards from our Entrepreneurs' Fund, for which we received more than 400 applications, mainly projects from Spain but also from countries as far afield as South Africa and China. The seven winning proposals receive financial support, technical consultancy and backing in their quest for investment capital. June also saw the opening of the second round of the Entrepreneurs' Fund, in which proposals were accepted until 16 November. In the second round, participation was up 17% on the previous year.

And now, with our new Campus headquarters, all business areas are sharing the same space for the first time in the history of the company, creating an environment conducive to teamwork. We're continuing this major project, which is not just architectural but which also expresses our values and commitments, bringing people together in a spirit of collaboration. At Repsol, we want "*everyone together*" to be how we do things.

# Summary of our performance in 2012

## Indicators

<b>Economic</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Investments (millions of euros) <sup>1</sup>	5,106	4,287	3,907
Investments in R&D (millions of euros)	64	74	83
Tax paid (millions of euros) <sup>2</sup>	16,168	16,356	13,348
Net profit (millions of euros) <sup>1</sup>	4,693	2,193	2,060
Financial aid received from governments (millions of euros):			
- Net capital grants <sup>3</sup>	110	118	61
- Operating grants <sup>1</sup>	227	2	21

<b>Environmental<sup>4</sup></b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Total energy consumption (10 <sup>6</sup> GJ)	170.0	172.6	178.6
Direct emissions of CO <sub>2</sub> equivalent (millions of tons) <sup>5,6</sup>	12.7	13.1	14.1
Production of biofuel (kilotons) <sup>7</sup>	1,124	1,297	1,200
SO <sub>2</sub> emissions (tons) <sup>5</sup>	54,936	50,131	36,949
NOx emissions (tons)	34,073	32,922	33,566
NMVOC emissions (tons) <sup>5</sup>	41,933	41,809	42,885
Fresh water withdrawal (thousands of tons)	58,017	61,156	56,243
Contaminants discharged – Hydrocarbons (tons)	150	151	259
Hydrocarbon spills to the environment (tons) <sup>8</sup>	148	113	6,091

<sup>1</sup> Data for 2011 have been restated in relation to the expropriation of YPF, whereas 2010 data have not, which means they are not comparable.

<sup>2</sup> 2010 and 2011 data include the taxes paid by the Repsol Group, including those relating to YPF prior to its expropriation.

<sup>3</sup> At 31 December 2011, YPF grants for the amount of 48 million euros were included. In 2012 these have been removed from Repsol's consolidated balance sheet following the loss of control of YPF and YPF Gas.

<sup>4</sup> In order to establish common bases for comparison over time, data for previous years have been adjusted in line with changes in the company's asset structure. The criteria for changing the baseline are included in oil-industry guidelines (API/IPIECA/OGP). In March 2012, the Government of Argentina expropriated Repsol's majority holding in YPF, as a result of which 2012 inventories and those of previous years have been adjusted, eliminating the data from expropriated facilities.

<sup>5</sup> For data on emissions from mobile sources, only those associated with the transport itself are included.

<sup>6</sup> Data from 2011 and 2012 include N<sub>2</sub>O emissions verified according to the ISO 14064 international standard.

<sup>7</sup> Includes the quantities of biodiesel, bioethanol and hydrodiesel marketed

<sup>8</sup> Spills greater than one barrel which reach the environment.

Hydrocarbon spills to the environment (number) <sup>8</sup>	27	37	29
Hazardous waste treated <sup>9</sup> (tons)	122,393	118,734	80,963

<b>Social</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Repsol personnel (number)	22,888	23,623	23,995
Accident frequency rate (Repsol and contractor staff) <sup>10</sup>	1.4	1.1	0.9
Training in safety and occupational health (hours)	163,908	139,915	217,899
Deaths (number)	5	2	4
Personnel covered by collective agreement (percentage)	62	58	57
Women staff (percentage)	30	31	32
Women in management posts (percentage)	13	14	15
Women on the Board of Directors (number)	2	2	2
Total turnover rate (percentage) <sup>11</sup>	8	5	8
Investment in training (millions of euros)	10.66	16.38	19.00
Training per employee (hours)	43	40	42
Repsol staff who receive performance evaluations (percentage)	39	36	38
Disabled persons (number)	407	462	543
Teleworking staff (number)	571	716	1,037
Incidents of discrimination (number)	4	1	3
Voluntary social investment (millions of euros)	23.74	24.87	24.05
Local purchases as percentage of total purchases	80.08	84.59	83.40
Evaluations of the performance of contractors and suppliers (number)	1,283	1,238	940
Audits on contractors and suppliers (number)	188	132	144
Expenditure on private and public security (millions of dollars) <sup>12</sup>	67.3	86.9	40.62
Litigation due to allegations of anticompetitive behavior (Number of cases initiated) <sup>13</sup>	0	0	0

<sup>9</sup> Ordinary hazardous waste.

<sup>10</sup> Measured as the number of lost-time accidents and fatal accidents accumulated during the year, per million hours worked.

<sup>11</sup> Total number of persons leaving the company/total personnel on 31 December of each year. Data for 2011 have been restated in relation to the expropriation of YPF, whereas 2010 data have not, which means they are not comparable.

<sup>12</sup> Data for 2010 and 2011 include expenditure corresponding to YPF, and are therefore not comparable with those of 2012.

<sup>13</sup> In 2012, no penalty proceedings were conducted on account of anticompetitive behavior by Repsol Group companies, for an amount equal to or greater than five million euros. For further details on the 2012 data, see the Annual Consolidated Accounts Report, Note 18, "Current and non-current provisions", Note 35, "Liabilities, contingencies and commitments" and Note 36, "Information on the environment".



Communications received under the Ethics and Conduct Regulation (number) <sup>14</sup>	131	212	15
Dismissals for failure to comply with the Ethics and Conduct Regulation (number)	25	81	88

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<sup>14</sup>Data include communications under the Ethics and Conduct Regulation received through several channels, including the communication channel with the Ethics Committee.

## Progress against objectives

2012 objectives	Degree of progress <sup>15</sup>
Update our Exploration and Production (E&P) regulations to adapt them to the new UN Guiding Principles on Human Rights	<p>Based on our corporate regulation requiring us to evaluate human rights aspects, we:</p> <ul style="list-style-type: none"> <li>– Identified internal documents in the E&amp;P business which should be updated in keeping with the regulation's new requirements</li> <li>– Revised rules in relation to health, social and environmental impact assessments, due diligence and community relations</li> </ul> <p>These modifications strengthen human rights in relation to impact assessments, due diligence processes and relations with indigenous communities.</p> <p>These revisions will be formally adopted by the end of the first quarter of 2013.</p>
Identify and improve our awareness of stakeholders' expectations in order to take them into account in decision-making	Five studies have been carried out to identify stakeholder expectations, one at company level and four at national level in Spain, Bolivia, Ecuador and Peru.
Protect equality of opportunity among Repsol employees	<p>We carried out a comprehensive study of diversity management, covering four years' worth of data. The study confirms that we are moving in the right direction and some areas, such as the professional development of more experienced staff.</p> <p>We have taken necessary corrective measures, including rectifying some personal situations in which salaries were historically lower than warranted by performance.</p>
Promote the employment of people with disabilities	During 2012, we continued to promote the hiring of disabled employees, especially in industrial areas, and we maintained awareness-raising initiatives. At 31 December 2012, the company had 437 disabled employees in Spain, 38 in Ecuador, 6 in Brazil, 39 in Peru, 17 in Portugal and 10 in Venezuela. It should be said that 20% of these employees are highly qualified technical personnel.
Protect the balance between professional and personal life	<p>At 31 December 2012, more than 1,000 personnel have joined our teleworking program worldwide. This is a 22% increase over 2011 and demonstrates success in developing a culture based on commitment, efficiency and results.</p> <p>Globally, we have a wide range of flexible working measures available, adapted for the customs of each country.</p>
Drive Repsol's innovation and improvement model	Innovation has been included as one of the Company's corporate values. Five transformative pilot projects have been implemented, and awareness raised among more

<sup>15</sup> Information given on the objectives of the sustainability plan which concluded in December 2012. Further information on our progress against each objective is available at [responsabilidadcorporativa.repsol.com](http://responsabilidadcorporativa.repsol.com)

	than 200 people during 2012.
Contribute to raising our partners' social and environmental standards	Improvements have been made to the Joint Operating Agreement model of the AIPN (Association of International Petroleum Negotiators), incorporating human rights aspects and updating safety and environmental aspects. These improvements mean that joint operating agreements require parties to carry out operations with respect for human rights, conduct risk assessments and take actions to avoid, prevent and mitigate the potential human rights impacts of our operations; and to respect indigenous communities.
Publicize our voluntary commitments undertaken in this plan	During 2012, we prepared an action plan to report and communicate the company's sustainability plans internally and externally. The action plan will be rolled out during 2013.
Encourage responsible energy use among our customers	We have introduced initiatives to encourage responsible consumption, primarily through our website, but also via email, on bills, or through sales outlets, including: <ul style="list-style-type: none"> <li>– “Repsol Energy” and “Agrodiesel +10” campaigns with advice on the efficient use of equipment and machinery</li> <li>– A responsible consumption campaign in the LPG business for household and commercial users</li> <li>– “Chemistry Ambassadors” campaign with messages about responsible use of chemicals</li> </ul>
Apply the guidelines on implementing the "Voluntary Principles on Security and Human Rights" (VPSHR)	In 2012, we signed six contracts with private security companies requiring explicit compliance with the VPSHR requirements: one in Colombia, two in Libya, two in Mauritania and another in Peru.
Conduct prompt investigation of complaints regarding security personnel or procedures	Complaints received through mailboxes or from security personnel were attended, incident investigations carried out, and early decisions taken on the need for remediation measures.
Deliver human rights training to contract security personnel	We have delivered human rights training to 100% of external security personnel in Ecuador and Peru, and to external personnel serving the Margarita Project in Bolivia.
Identify the risks associated with use of security forces in order to more effectively prevent and mitigate them	We have included human rights risks in the general risk management matrix, paying special attention to field activities in new areas or where there are communities nearby.  We exclude private security firms from bidding for our business where they are known or suspected to have links with illicit activities or have been reported for human rights abuses.
Improve safety in Repsol land transportation	In 2012, we took a variety of actions to improve safety in land transportation: <ul style="list-style-type: none"> <li>- We held courses in defensive driving for logistics carriers (in the Refining business) and for sales and marketing personnel (in the Chemicals business);</li> <li>- We held a Road Safety Day in the Upstream area, with discussions of real-life experiences at a</li> </ul>

	<p>facility;</p> <ul style="list-style-type: none"> <li>- In the LPG business, we have introduced a new Transport and Unloading procedure among clients, delivered training schemes to haulage firms and implemented the Transport Safety Adviser's inspection program.</li> <li>- In LPG Peru, exhaustive work has been carried out in this area, through quarterly meetings focusing on compliance with the internal and external audit and inspection plans. We have reinforced compliance with accident investigation and disclosure of accidents and serious near-miss incidents (where investigation is appropriate), in other operations. We have also delivered defensive driving courses.</li> </ul> <p>At corporate level, we have drawn up the Mobility and Road Safety Plan for the Repsol Campus, a tool for improving mobility in employee travel, both to and from work and during official travel. This plan has multiple objectives:</p> <ul style="list-style-type: none"> <li>- To improve road safety and prevent traffic accidents;</li> <li>- To reduce environmental impact;</li> <li>- To improve efficiency and cost savings.</li> </ul> <p>A training course for road safety trainers has also been delivered.</p>
<p>Improve emergency management procedures at Repsol</p>	<p>We have developed an emergency communication tool and commenced its implementation.</p> <p>It has already been introduced in the Trading and E&amp;P Libya units, and is being rolled out at industrial facilities and business units in Peru.</p> <p>We are analyzing general principles for emergency management, taking into account the reporting by businesses, which commenced in 2012.</p>
<p>Make progress in calculating the carbon footprint of the company's main products, in order to take better decisions in relation to production and consumption</p>	<p>We have proceeded to work on our methodology, with regard to our most important products and main suppliers.</p>
<p>Help boost financial transparency in the extractive industries</p>	<p>Repsol has taken part in developing the Memorandum of Understanding (MOU) for the EITI group in Trinidad and Tobago. The document defines the responsibility of each party, as well as the commitment to draw up a report in accordance with EITI requirements.</p>

The commitments made for 2013 are defined in the Sustainability Plan 2013-2014, available at [www.repsol.com](http://www.repsol.com)

## External recognition

For the second consecutive year, we are leaders in the Dow Jones Sustainability World Index, having again received the maximum score in our sector.

*Our presence in international sustainability indexes demonstrates the quality of the company's management and governance.*

Again this year, Repsol has been acknowledged for its performance in corporate responsibility. This is a reflection of our firm commitment to the social, environmental and ethical values that make up our corporate culture, and which define our contribution to sustainable development.

We have been a constant presence in the Dow Jones Sustainability Index since 2006, leading the Oil & Gas sector in 2011 and 2012. This leadership resulted in Repsol's Gold Class company rating in the Sustainability Yearbook 2012, produced by Sustainability Asset Management (SAM).

We continue to appear, as we have since 2003, in the [FTSE4Good](#) sustainability index, which recognizes the best-performing companies in environmental, social and governance issues. Other indexes to have included Repsol during the year were the Advanced Sustainable Performance Index (ASPI) and the Ethibel Sustainability Index (both Europe and Global).

The company also leads the energy sector in the Carbon Disclosure Project world ranking – for the third time in five years – an acknowledgement of our carbon management and energy efficiency.

Finally, the Storebrand pension fund included us in its “Top 100 Sustainable” list of the 100 best-performing companies on sustainability issues.

### **Antonio Brufau, CEO of the Year**

Repsol Chairman and CEO Antonio Brufau was awarded best Chief Executive Officer of the year by [Platts](#), in recognition of leadership, innovation and excellence in the energy sector.

Antonio Brufau was chosen for his strategic vision and leadership in promoting and maintaining the company's successful growth, while managing the fallout from the illegal expropriation of YPF in April 2012. Platts also valued Brufau's transformative leadership of Repsol.

He was chosen from among 200 nominees by the committee of international experts that make up the Platts awards panel. Previous winners include executives from several of the world's major energy companies.

Platts highlighted the transformation that the company has experienced in recent years, in which it has become a world leader in exploration and has made five of the world's biggest hydrocarbon discoveries. The company has also rolled out Spain's largest industrial project, placing its Downstream area at the forefront of European refining systems. Alongside this transformation, Repsol has created exemplary human resources and environmental management policies.

### **Repsol Peru receives the Socially Responsible Company distinction**

For the second year running, the company has received the Peru 2021 Distintivo ESR award for being a socially responsible company.

Repsol received the accolade following an assessment covering aspects such as business ethics, community and environmental links and quality of life in the company. The award acknowledges the responsible management of its operations throughout the value chain: from the exploration and development of oil and gas fields, to the marketing of LPG, lubricants and fuels, including the processing of hydrocarbons in our refineries.

Peru 2021 confers this honor through the "AliaRSE por el Perú" initiative, highlighting the best practices of Peruvian companies with the goal of promoting corporate social responsibility in the country.

### **Major memberships in corporate responsibility**

We have been actively committed to the principles of the United Nations Global Compact since we signed up to this initiative in 2003. It promotes the implementation, both in our operations and in our business strategy, of ten principles based on human rights, labor law, the environment and combating corruption. In 2012, we joined the Executive Committee of the Spanish Global Compact Network, strengthening our voluntary commitment to social responsibility still further.

The company is a founding member of the Extractive Industries Transparency Initiative (EITI), which seeks to promote transparency in the revenues received by host governments from extractive industries. We believe that this global initiative contributes positively to growth in the economies of these countries, through the proper management of the profits generated by the production of their resources.

## Good governance

**The Repsol Board of Directors acknowledges and accepts the importance of a corporate governance system to guide its structure and operation in the best interests of both the company and its shareholders.**

*We have 15 directors, eight of whom are independent non-executive directors.*

The Repsol, S.A. Board of Directors is the highest-level governance body in terms of corporate responsibility. It is composed of 15 members, of whom two are executive directors, five are external directors representing institutional shareholders, and eight are independent non-executive directors.

It has two independent directors, one of whom is Paulina Beato Blanco, who sits on the Audit and Control Committee, while the other is María Isabel Gabarró Miquel, who is a member of the Strategy, Investment and Corporate Social Responsibility Committee and the Appointments and Remuneration Committee.

As of 31 December 2012, the Board of Directors was made up of:

NAME	OFFICE	CONDITION	LAST APPOINTMENT	END OF TERM IN OFFICE
Mr. Antonio Brufau Niubó	Chairman	Executive	15-04-2011	15-04-2015
Mr. Isidro Fainé Casas	Vice-chairman	External <sup>16</sup>	31-05-2012	31-05-2016
Mr. Juan Abelló Gallo	Vice-chairman	External <sup>17</sup>	15-04-2011	15-04-2015
Ms. Paulina Beato Blanco	Member	Independent	30-04-2010	30-04-2014
Mr. Artur Carulla Font	Member	Independent	30-04-2010	30-04-2014
Mr. Luis Carlos Croissier Batista	Member	Independent	15-04-2011	15-04-2015
Mr. Ángel Duráñez Adeva	Member	Independent	15-04-2011	15-04-2015
Mr. Javier Echenique Landiribar	Member	Independent	30-04-2010	30-04-2014
Mr. Mario Fernández Pelaz	Member	Independent	15-04-2011	15-04-2015
Ms. María Isabel Gabarró Miquel	Member	Independent	14-05-2009	14-05-2013
Mr. José Manuel Loureda Mantiñán	Member	Represents an institutional shareholder <sup>17</sup>	15-04-2011	15-04-2015
Mr. Juan María Nin Génova	Member	Represents an institutional shareholder <sup>16</sup>	31-05-2012	31-05-2016
Pemex Internacional España, S.A., represented by Luis Felipe Luna Melo	Member	External <sup>18</sup>	30-04-2010	30-04-2014

<sup>16</sup> External Director representing an institutional shareholder appointed at the proposal of CaixaBank, S.A.

<sup>17</sup> External Director representing an institutional shareholder appointed at the proposal of Sacyr Vallehermoso, S.A.

<sup>18</sup> External Director representing an institutional shareholder appointed at the proposal of Petróleos Mexicanos

Mr. Henri Philippe Reichstul	Member	Independent	30-04-2010	30-04-2014
Mr. Luis Suárez de Lezo Mantilla	Member and Secretary	Executive	14-05-2009	14-05-2013

In 2012, the Board of Directors met on 12 occasions. Seven of these meetings were not attended by all of the members<sup>19</sup>. Non-attendances accounted for 3.89% of the total votes cast during the year.

During the year, the Board of Directors, either directly or through its Committees, addressed the following issues, among others:

- 2012-2016 Strategic Plan
- Modification of the Ethics and Conduct Regulation for Repsol employees.
- Information on Safety and the Environment

In 2012, the members of the Board of Directors, including executive directors, received remuneration of €4.812 million in their capacity as members of the board, which was paid from the statutory allocation<sup>20</sup>.

More information about the Board of Directors, its Committees, remuneration, regulations and monitoring of the good governance regulations can be found in the corporate governance report and at [repsol.com](http://repsol.com)

<sup>19</sup> In this calculation, non-attendances include representations without specific voting instructions.

<sup>20</sup> This amount does not include remuneration for carrying out management functions nor for membership of the Board of Directors of subsidiary companies. For more information, see note 34 of the 2012 consolidated annual accounts of the Repsol group.



## Performance of the Board of Directors and its Committees

The Repsol Board of Directors evaluates its own performance at least once a year. It also commissions a specialist independent company to conduct an external evaluation.

*Among other matters, the Board of Directors approved the modification of the Ethics and Conduct Regulation for Repsol employees.*

As set out in Article 11 of the Board of Directors Regulations, the Board of Directors assesses the operation, quality and efficiency of its work at least once a year. It also assesses the operation of its Committees once a year, based on the reports they submit to it.

At its meeting on February 27, 2013, the Board of Directors agreed that its performance during the 2012 financial year, as well as that of the Delegate Committee, the Audit and Control Committee, the Appointments and Remuneration Committee, and the Strategy, Investment and Corporate Responsibility Committee, was satisfactory. The Board further determined that these bodies and the Chairman of the Board of Directors and the Independent Coordinating Director were properly performing the functions and roles they have been entrusted with under applicable regulations and internal policies.

Likewise, Article 11.2 of the Board of Directors Regulations states that the Board of Directors must commission a specialist independent company to conduct an external evaluation of its performance at times of its choosing, at least once every three years. This evaluation must include examination of the composition, organization and performance of the Board as a group, and evaluation of the competence and effectiveness of each of its committees and members, including the chairman.

The functions of the Board under the Board of Directors Regulations, either directly or via its committees, include the following:

- To examine draft ethics and conduct codes and amendments to these codes and issue prior opinions on the proposals to be made to the corporate bodies.
- To ensure that the ethics and conduct codes applicable to company personnel, both internally and in relation to the stock market, are appropriate and meet all regulatory requirements.
- To understand and direct Repsol policy, objectives and guidelines on safety and the environment.
- To understand and direct Repsol policy, objectives and guidelines on corporate responsibility.

More information about the Board of Directors, its Committees, remuneration, regulations and monitoring of the good governance regulations can be found in the corporate governance report and at [repsol.com](http://repsol.com)

## The Board of Directors' role in corporate responsibility

The role of the Strategy, Investment and Corporate Social Responsibility Committee is to understand and guide the company's corporate responsibility policy, objectives and guidelines.

*The Strategy, Investment and Corporate Social Responsibility Committee met on two occasions in 2012.*

Under Article 5 of the Board of Directors Regulation, the board is responsible for approving Repsol's corporate social responsibility policy in a plenary session.

In particular, under Article 34.4.c), the Strategy, Investment and Corporate Responsibility Committee is charged with understanding and directing Repsol policy, objectives, and guidelines on corporate responsibility and informing the Board of Directors about this. In addition, under Article 34.4.n), the Audit and Control Committee is responsible for understanding and directing Repsol policy, objectives and guidelines on safety and environmental issues.

### The Strategy, Investment and Corporate Responsibility Committee

As of 31 December 2012, the Strategy, Investment and Corporate Social Responsibility Committee was comprised of six directors: four are external directors representing institutional shareholders and two are independent non-executive directors. The chairman of this committee is an external or non-executive director.

NAME	OFFICE	CONDITION
Mr. Juan María Nin Génova	Chairman	External <sup>21</sup>
Mr. Juan Abelló Gallo	Member	External <sup>22</sup>
Mr. Luis Carlos Croissier Batista	Member	Independent
Ms. María Isabel Gabarró Miquel	Member	Independent
Mr. José Manuel Loureda Mantiñán	Member	External
Pemex Internacional España, S.A., represented by Mr. Felipe Luna Melo	Member	External <sup>23</sup>

Under Article 34.5 of the Board Regulation, the Strategy, Investment and Corporate Social Responsibility Committee meets as it sees fit, or whenever summoned by the chairman or when a meeting is requested by two of its members. In 2012, this committee met on two occasions.

Among other issues, this committee has examined, discussed and issued proposals and reports about the Strategic Plan for 2012-2016.

More information on the Board of Directors, its Committees, remuneration, regulations and monitoring of the recommendations on good governance is available at [repsol.com](http://repsol.com)

<sup>21</sup> External Director representing an institutional shareholder appointed at the proposal of CaixaBank, S.A.

<sup>22</sup> External Director representing an institutional shareholder appointed at the proposal of Sacyr Vallehermoso, S.A.

<sup>23</sup> External Director representing an institutional shareholder appointed at the proposal of Petróleos Mexicanos

## Significant interests

At the end of 2012, three entities held significant stakes in Repsol, accounting for over 30% of the company's share capital.

These significant interests in Repsol's share capital were as follows as of 31 December 2012:

<b>Shareholder name or trading name</b>	<b>total % of the share capital</b>
CaixaBank, S.A.	12.53
Sacyr Vallehermoso, S.A.	9.73
Petróleos Mexicanos	9.43

# Organization and activities

## Business areas

Repsol has consolidated its growth strategy, enabling it to develop new business areas, diversify its asset portfolio and undertake key projects.

*The Strategic Plan 2012-2016 has four strategic lines and 10 key exploration and production projects.*

Repsol operates in the following business segments:

- **Exploration and Production (E&P)**, known in the industry as 'upstream', covering oil and natural gas exploration and production.
- **Downstream**, engaged in the refining and marketing of oil products, chemical products and liquefied petroleum gas (LPG).
- **Natural Gas<sup>24</sup>**, referring to the businesses of gas liquefaction, transport, marketing, regasification and power generation. Repsol has a strategic holding in the Gas Natural Fenosa group.
- **New Energy Sources**, the business unit responsible for identifying opportunities, promoting projects and carrying out business initiatives in fields such as bio-energy and renewable energies.

## Strategic Plan 2012-2016

On May 29<sup>th</sup>, Repsol launched its strategic plan for the period 2012-2016, with four key pillars:

- Upstream growth: the Exploration and Production area is the engine of the company's growth. Investments here focus on exploration activities and the development of 10 key projects in Spain, Algeria, Brazil, Peru, Russia, the United States and Venezuela.
- Maximize Downstream returns: the Downstream area has become a cash-generating business, following the successful completion and entry into operation of the refinery extensions at Cartagena and Petronor (Bizkaia), which increased Repsol's conversion capacity and operating efficiency.
- Financial strength: the company's financial position and the divestment of non-strategic assets have allowed it to self-finance the investments envisioned under this plan.
- Competitive shareholder compensation: the last of Repsol's strategic pillars is to establish a competitive policy to remunerate shareholders.

## Key exploration and production projects

The 10 key projects for the E&P division are focused on developing major discoveries made in previous years and the agreements reached in 2011 with the United States and Russia, all of which have now been outlined, with a final decision on investment due by 2015. They are as follows:

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<sup>24</sup> On 26 February 2013, Repsol signed an agreement to sell Liquefied Natural Gas (LNG) assets and businesses. The transaction includes the Repsol Group's stake in liquefaction plants in Trinidad and Tobago (Atlantic LNG) and Peru (Peru LNG), as well as its transport assets (LNG carriers), combined-cycle installations in Spain (Bahía de Bizkaia Electricidad) and its LNG and natural gas trading and marketing operations. The LNG businesses in North America (Canaport and transport and marketing operations) and the project in Angola were not included in the deal. Further information is available in the Annual Accounts 2012.

1. Sapinhoá (formerly Guará), in Brazil
2. Carioca, also in Brazil
3. Mid-continent, USA
4. Reggane, in Algeria
5. Lubina and Montanazo, in Spain
6. AROG, in Russia
7. Margarita-Huacaya, in Bolivia
8. Kinteroni, in Peru
9. Carabobo, in Venezuela
10. Cardón IV, also in Venezuela

As well as these key projects, we will continue to work on existing projects in the United States (Alaska), Brazil (Seat, Pão de Açúcar, Gavea, Malombe, Iguaçu, Piracuca-Panoramix-Vampira, pre-salt Albacora), Libya (NC200), Sierra Leone and the Gulf of Mexico (Buckskin).

#### **Rollout of Margarita-Huacaya, Bolivia**

The gas processing plant opened in early May, and the first phase of the Margarita-Huacaya gas development project entered production. The startup of the plant, along with the fluid-gathering system and pipelines, and the completion of wells, allowed us to increase production from 3 to 9 Mm<sup>3</sup>/d.

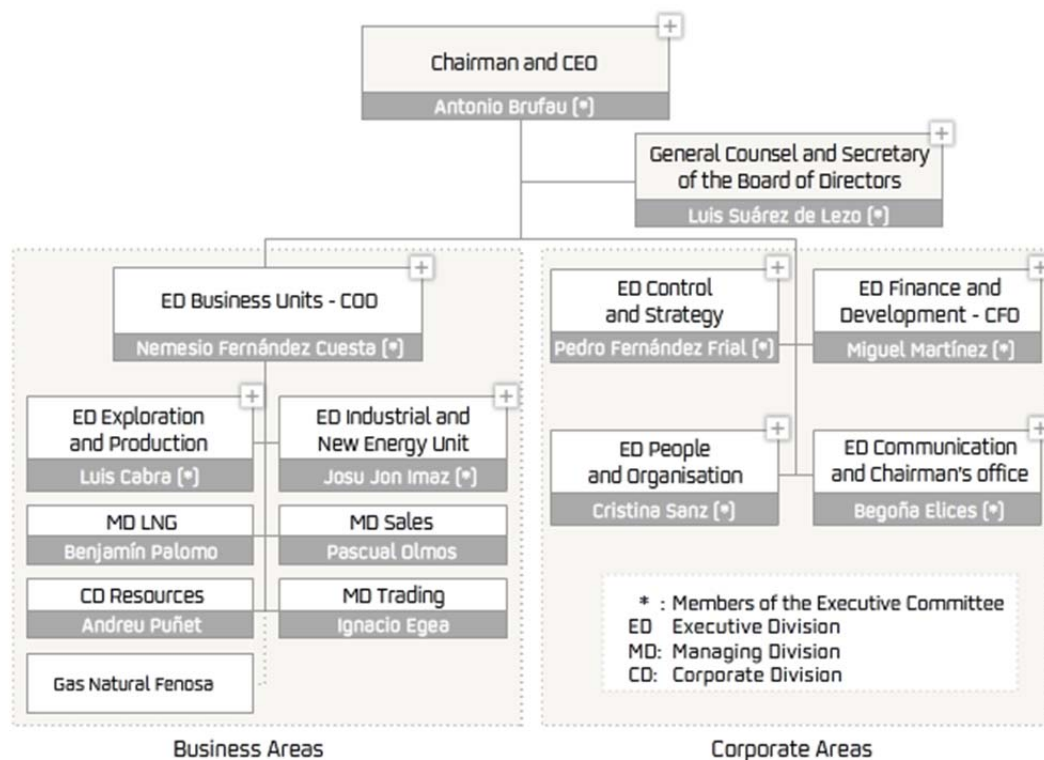
The first phase of the project was completed on schedule and within budget. In 2013, work is being carried out on the second phase, which will enable production to rise to 14 Mm<sup>3</sup>/d from 2013. Starting the first phase is an important step which demonstrates our commitment to Upstream growth and safety.

Further information about Repsol activities and businesses is available in the [Consolidated Annual Report 2012](#) and at [repsol.com](http://repsol.com)

## Changes in organizational structure

We provide an account of the most notable events that took place in our company, during a year in which we made changes to help us better implement the new Strategic Plan.

*Campus is a project that has given tangible form to the process of cultural evolution at Repsol.*



In May 2012, with the focus on the future of Repsol, a new high-level structure was approved. An Executive Division of Business was created to boost business growth, as were two other Executive Divisions (ED Exploration and Production EMD and the ED Industrial and New Energy EMD). Their directors joined the Executive Committee as new members.

A new Sales Management Division brings together the areas of Marketing Europe and LPG Global. In addition, an Executive Division of Control and Strategy was created to boost the active development of the company's strategy, based on anticipating opportunities, management control and promoting technology as a driver of change.

This change process culminated in November, when the Executive Committee approved changes in other levels of the organization and in different company areas. Twenty-four new executive appointments were made, along with a number of internal personnel movements in the different businesses and corporate areas.

These changes reinforce the company's current model, favoring the internal development of talent and offering new career opportunities to Repsol professionals.

In 2012, members of the Executive Committee, excluding Executive Directors, received remuneration of 11.56 million euros in total. Total remuneration for Executive Directors in 2012 amounted to 7.7 million euros.

## **Campus, our headquarters**

Repsol's new headquarters in Madrid, Spain, represented not only an architectural opportunity, but also a chance to work in a different way and to highlight our company identity. The new space has enabled people-focused initiatives such as flexible working hours, paperless office and advanced workstations<sup>25</sup>. All of these projects contribute to a change in how work is organized.

Throughout the Campus project, we have taken advice from a team of facilitators representing all company areas and businesses. We have also adapted aspects of culture and values to their needs, throughout the process of relocating and settling in to the Campus.

Almost 4,000 people share the new corporate headquarters in Madrid. For the first time in our history, we are working together in a single complex of buildings. The move allows us to strengthen teamwork and fulfill the company's values. This is reflected in our commitment to people and to the environment, creating an accessible building with flexible spaces and ways of working, in line with the needs of our businesses and divisions. Integrity and transparency are reinforced through the use of open spaces and meeting areas that facilitate the exchange of knowledge and innovation, supported by new technologies.

### **Expropriation of the Repsol Group's shares in YPF, S.A. and YPF Gas, S.A. (formerly Repsol YPF Gas, S.A.)**

On 16 April 2012, the Government of Argentina announced that it would put a bill before Parliament regarding the hydrocarbon sovereignty of the Argentine Republic. The primary objective of this bill, declared to be in the public interest, was to achieve self-sufficiency in the production, industrialization, transportation and commercialization of hydrocarbons.

Article 7 of the bill declared that 51% of the equity of YPF, S.A., represented by the 51% of "Class D" YPF shares directly or indirectly belonging to Repsol and to its controlling or controlled companies, was of public utility and subject to nationalization. The Repsol Group's stake in YPF, S.A. at this time was 57.43%.

In parallel, on 16 April, the Government decreed the immediate intervention in YPF "to ensure total and absolute compliance with the measures implemented by the aforementioned bill". At the time, these measures had not been approved by Parliament, or even debated.

That same day, Repsol informed the Spanish Securities Market Commission (CNMV) via a "relevant event" that it rejected the expropriatory measures adopted by the Argentine Government.

Subsequently, on 18 April 2012, the Government of Argentina approved the extension of the scope of its intervention to YPF Gas, S.A., an Argentinean company engaged in the fractionation, bottling, transportation, distribution and commercialization of LPG, and in which Repsol Butano, S.A. held an 84.997% equity interest at that time.

The bill to nationalize these companies was approved in less than three weeks by the two houses of Parliament, and was enacted as Law 26741 on 4 May 2012. It came into effect on 7 May.

These actions by the Government were preceded by a concerted campaign against YPF by the Argentinean authorities designed to drive public opinion favorable to nationalization and to

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<sup>25</sup> Advanced workstations are designed for Repsol employees who, due to the nature of their job, need to work more flexibly and with greater mobility. They are also designed for divisions who do project work or who require transfers to other sites on a regular basis. These employees will have workstations available for any activity, with priority location assignment, as well as personal lockers and meeting and collaboration spaces, specially designed for their exclusive or preferential use.

drive down its share price. This campaign took the form of an organized series of increasingly hostile initiatives, including accusations of divestment and lack of investment, threats of expropriation, government actions to interfere in the meetings of YPF corporate bodies, following which the sessions of the Board of Directors would be declared ineffective by the regulator, the arbitrary revocation of concessions by Provinces or announcements of imminent revocations, the adoption of hostile positions in board meetings by the Director appointed by the State, and nationalistic appeals to the Argentinean character of YPF.

One of the Argentine government's arguments was the supposed lack of investment in the country during Repsol's time in control of YPF, leading to falling production and a potential shortage of energy for the domestic market. However, during Repsol YPF's management, substantial investments were made in oil and gas exploration and production (both onshore and offshore) and in refining, distribution and marketing. Over the period 1999-2011 the aggregate amount of these investments stood at US\$20 billion. Notable investments included efforts to:

- Reverse the fall in reserves caused by the maturity and the natural decline of YPF fields
- Comprehensively review the exploratory potential of all sedimentary basins and mineral concessions in Argentina
- Improve the country's refineries
- Build regasification terminals for liquefied natural gas
- Explore for non-conventional oil and gas fields (specifically shale and tight oil and gas), an area of enormous worldwide significance, in which Argentina faces the fact that its basins are mature and therefore subject to a natural and constant decline.

The US\$20 billion invested by YPF in Argentina over this period is greater than any other investment made by any other industrial or oil company operating in the country, and represents the largest external investment made in Argentina.

The measures adopted by the Argentine government altogether constitute an unlawful nationalization and a violation of the obligations on the protection and fair treatment of foreign investment under international law. This is the case because of its discriminatory nature, because it does not observe the most elemental rules of due process, because it is not truly in the public interest and, of course, because it was carried out without any compensation. Consequently, Repsol expressly and fully exercises all rights and actions to preserve all its entitlements, the value of all its assets and the interests of its shareholders, under the protection of Argentinean law, the regulations and laws of the securities markets on which YPF is listed, and international law, including the "Agreement between the Argentine Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments", signed in 1991.

As the results to these events, Repsol no longer controls YPF and YPF Gas and has therefore excluded these companies from its consolidated accounts. This entailed the removal of their assets, liabilities and minority interests, as well as the corresponding translation differences, from Repsol's consolidated balance sheet. In addition, the data included in this Corporate Responsibility Report do not include information referring to the activities of YPF and YPF Gas during 2012.

Further information about milestones in Repsol's activities is available in the [Consolidated Annual Report 2012](#) and at [repsol.com](http://repsol.com)



## New vision and brand

Repsol presented its new brand and corporate vision at the 2012 General Meeting and at the launch of the Strategic Plan 2012-2016

*In addition to our seven company values, we also set out a number of cultural values that guide the actions of all members of the Repsol team.*

Nowadays, much of a company's value lies in its intangible assets, with brand and reputation being two key contributors to the long-term success of any business.

At Repsol, we see brand and reputation as two sides of the same coin. The brand represents the company's promise that it projects toward its stakeholders; reputation is the recognition that stakeholders give to our performance. The ability to build trust, respect and admiration is translated into attitudes toward our organization that enable future growth and sustainability.

In 2012, we launched our [new corporate vision](#) following a rigorous participatory process that defined how we want to be and, therefore, how we hope to be recognized. This new vision reflects the change that the company has been going through, while outlining the path ahead. The new vision, and the values underpinning it, are the basis of the Reputation Management Action Plan, which considers aspects such as understanding the social context, measuring reputation, reputational risks and the effect of accolades such as the one bestowed by the Spanish Corporate Reputation Monitor (MERCOS), which rated Repsol as the company with the third-best reputation in Spain.

To align brand image with the objectives set out in the new vision, we also launched a new brand and visual identity, which is being rolled out in the service stations network, products, buildings and company areas worldwide. One of the projects with the greatest impact was the new Repsol headquarters in Madrid, which provides a new way of underscoring and relating to the brand.

Part of Repsol's commitment to reputation management is its participation as a board member and founding partner of the Corporate Excellence Foundation: Center for Reputation Leadership. It is a meeting point for major Spanish companies to enhance the professional management of intangible assets, and to help develop strong brands and companies with a good reputation.

### Our corporate vision

The new Repsol vision reflects the evolution of the company and represents a roadmap for present and future actions. The new vision emphasizes the responsibility and the commitment of Team Repsol in searching for the best energy solutions.

*A global company that seeks the welfare of people and is a step ahead in building a better future through the development of smart energy.*

*With effort, talent and enthusiasm, we're making progress to deliver the best energy solutions for society and the planet.*

### Seven company values

To underscore Repsol's commitment to all its stakeholders, and as part of the same process of defining our vision, the company has set out **seven company values** that underpin its actions.

Like the vision, these values are not proposed as a mere declaration of principles, but are essential and enduring. They guide our daily performance and are integrated into the management of all Repsol divisions.

**TEAM REPSOL.** Our team is made up of committed people who share a project for the future, whose success is based on proactivity, an innovative attitude, leadership and professional and personal development.

**ENVIRONMENTAL COMMITMENT.** Repsol is committed to generating the cleanest energy and to seeking a neutral environmental impact, acting for maximum safety and reliability in its operations.

**RESPONSIBILITY TO THE SOCIAL ENVIRONMENT.** Repsol responds to the current and future energy needs of society, with respect for and development of the communities with which it interacts, through a proactive attitude and a good neighbor policy.

**TECHNOLOGICAL INNOVATION.** Repsol is constantly searching for energy solutions based on eco-efficiency and new energy, through the development of technologies that support a more sustainable future.

**TRANSPARENCY.** This is the main guarantee of Repsol's ethical performance; it is committed to providing relevant, honest information on the company and maintaining an attitude of dialogue with stakeholders.

**TRUSTED PRODUCTS AND SERVICES.** The company achieves the trust of society and of customers through innovative products and services that provide unique value, supported by an emotional bond to the Repsol brand.

**BUSINESS STRENGTH.** Repsol ensures solid business growth in the medium and long term, based on the integration of businesses and on successful projects, through a strategy focused on constantly generating value.

As well as these seven company values, Repsol has defined certain cultural values which guide the actions of all members of Team Repsol.

These values reflect the company's cultural evolution in recent years and originate in the two mainstays of Repsol culture: **respect** for people, society and our surroundings, and a **proactive approach**, which leads us to act with an overall vision, thinking about the future.

## Reserves and production

The company is meeting its growth commitments thanks to exploration successes and the efficient development of energy resources.

*Proven reserves stood at 1293.62Mbp and Repsol hydrocarbons production amounted to 121.7Mbp in 2012.*

### Reserves

At the close of 2012, Repsol's proven reserves, estimated in accordance with the conceptual framework for the oil and gas industry defined by the US Securities and Exchange Commission (SEC), and with the criteria laid down by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE), stood at 1,294 Mboe, of which 428 Mboe (33.1%) were crude oil, condensate and liquefied gases, and the rest, 866 Mboe (66.9%), natural gas.

Some 25.4% of total reserves are located in Trinidad and Tobago. 54.4% are located in other South American countries (Bolivia, Brazil, Peru, Venezuela, etc.), 11.8% in North Africa (Algeria and Libya), 4.1% in North America (United States) and 4.3% in Europe and Asia (Spain and Russian Federation).

These reserves showed a positive trend in 2012, with a total addition of 248 Mboe from the Cardón IV Project in Venezuela, Sapinhoá (formerly Guará) in Brazil, the inclusion of projects in the United States and the Russian Federation, and the revision of development plans in Libya. In 2012, we achieved a reserve replacement ratio (ratio of total proved reserves added in the period relative to production in the period) of 204% for total hydrocarbons (168% for liquids and 231% for natural gas).

	<b>Liquids</b> (Mbbbl)	<b>Natural gas</b> (Mboe)	<b>Total</b> (Mboe)
<b>Total proven reserves at 31 December 2012</b>	428.05	865.57	1293.62

<b>Proven developed reserves</b>	<b>Liquids</b> (Mbbbl)	<b>Natural gas</b> (Mboe)	<b>Total</b> (Mboe)
<b>Europe</b>	<b>4.69</b>	<b>0.08</b>	<b>4.77</b>
Spain	4.69	0.08	4.77
<b>South America</b>	<b>133.57</b>	<b>358.93</b>	<b>492.50</b>
Bolivia	12.67	52.91	65.58
Brazil	8.44	0.31	8.75
Colombia	2.24	0.00	2.24
Ecuador	11.14	0.00	11.14
Peru	41.70	135.99	177.69
Trinidad and Tobago	22.78	122.13	144.91
Venezuela	34.60	47.59	82.19

<b>North America</b>	<b>20.41</b>	<b>3.14</b>	<b>23.55</b>
United States	20.41	3.14	23.55
<b>Africa</b>	<b>80.11</b>	<b>8.22</b>	<b>88.34</b>
Algeria	3.55	8.22	11.77
Libya	76.57	0.00	76.57
<b>Asia</b>	<b>15.56</b>	<b>9.57</b>	<b>25.13</b>
Russian Federation	15.56	9.57	25.13
<b>Total proven developed reserves:</b>	<b>254.34</b>	<b>379.94</b>	<b>634.29</b>

<b>Proven undeveloped reserves</b>	<b>Liquids (Mbbbl)</b>	<b>Natural gas (Mboe)</b>	<b>Total (Mboe)</b>
<b>Europe</b>	<b>0.60</b>	<b>0.00</b>	<b>0.60</b>
Spain	0.60	0.00	0.60
<b>South America</b>	<b>95.66</b>	<b>444.75</b>	<b>540.41</b>
Bolivia	6.22	35.83	42.06
Brazil	46.66	0.07	46.73
Colombia	0.45	0.00	0.45
Ecuador	4.07	0.00	4.07
Peru	20.41	83.99	104.40
Trinidad and Tobago	7.67	176.49	184.15
Venezuela	10.18	148.37	158.55
<b>North America</b>	<b>25.12</b>	<b>3.91</b>	<b>29.03</b>
United States	25.12	3.91	29.03
<b>Africa</b>	<b>45.12</b>	<b>18.92</b>	<b>64.04</b>
Algeria	0.00	18.92	18.92
Libya	45.12	0.00	45.12
<b>Asia</b>	<b>7.20</b>	<b>18.05</b>	<b>25.25</b>
Russian Federation	7.20	18.05	25.25
<b>Total proven undeveloped reserves:</b>	<b>173.70</b>	<b>485.63</b>	<b>659.33</b>

## Production

Repsol hydrocarbon production amounted to 332,400 barrels of oil equivalent per day in 2012, which represents an 11.3% rise on 2011.

The bulk of this increase is accounted for by the resumption of operations in Libya after they were suspended between March and November 2011, and the startup of Phase 1 of the Margarita Project in Bolivia.

On the other hand, there was a fall in gas production, mainly in Trinidad and Tobago due to maintenance work on the Atlantic LNG liquefaction trains and production platforms, and in Ecuador due to the decline of fields and the sale of a 20% stake in September 2012.

<b>Production</b> <b>2012</b>	<b>Liquids</b> <i>(thousands of bbl)</i>	<b>Natural gas</b> <i>(thousands of boe)</i>	<b>Total</b> <i>(thousands of boe)</i>
<b>Europe</b>	<b>757</b>	<b>331</b>	<b>1,089</b>
Spain	757	331	1,089
<b>South America</b>	<b>23,962</b>	<b>66,253</b>	<b>90,215</b>
Bolivia	2,128	8,088	10,216
Brazil	1,455	58	1,513
Colombia	1,135	-	1,135
Ecuador	7,383	-	7,383
Peru	3,042	6,874	9,917
Trinidad and Tobago	3,975	42,709	46,683
Venezuela	4,844	8,524	13,368
<b>North America</b>	<b>10,103</b>	<b>886</b>	<b>10,989</b>
United States	10,103	886	10,989
<b>Africa</b>	<b>16,458</b>	<b>2,113</b>	<b>18,572</b>
Algeria	981	2,113	3,095
Libya	15,477	-	15,477
<b>Asia</b>	<b>807</b>	<b>-</b>	<b>807</b>
Russian Federation	807	-	807
<b>Total net production</b>	<b>52,088</b>	<b>69,584</b>	<b>121,671</b>

Further information about Repsol reserves and production is available in the [Consolidated Annual Report 2012](#) and at [repsol.com](http://repsol.com)

## Economic value generated and distributed

<b>Economic value generated and distributed (millions of euros)<sup>26</sup></b>		
<b>Item</b>	<b>2011<sup>27</sup></b>	<b>2012</b>
<b>Economic value generated</b>	<b>51,986</b>	<b>60,047</b>
Sales and other operating income	51,703	59,696
Financial income	166	128
Earnings from disposal of fixed assets	117	223
<b>Economic value distributed</b>	<b>49,939</b>	<b>55,593</b>
Purchases and other operating and training expenses	39,246	44,571
Staff expenses (excluding training)	1,786	1,956
Public Administrations: Tax accrued in the financial year and included as expenses in the consolidated statements of the Group, including Corporate Income Tax and Excise Duties. <sup>28</sup>	7,064	7,552
Dividends <sup>29</sup> and financial expenses	1,818	1,490
Resources intended for the community	25	24
<b>Retained economic value</b>	<b>2,047</b>	<b>4,454</b>

Further information about Repsol activities and businesses is available at [repsol.com](http://repsol.com)

<sup>26</sup> Results from entities evaluated under the equity method, and those from discontinued operations, are not considered.

<sup>27</sup> Data for 2011 have been restated in relation to the expropriation of YPF.

<sup>28</sup> Includes excise duties and others of a similar nature, for the amount of 5.244 billion euros in 2012 and 5.390 billion euros in 2011.

<sup>29</sup> Data for 2011 include the interim dividend, which amounted to 635 million euros, and the amount for the acquisition of rights of free allocation (for a total of 242 million euros) from the shareholders who opted to sell them to Repsol in the bonus issue of June and July 2012, in the framework of the "Repsol Flexible Dividend" Program.

Data for 2012 include the amount for the acquisition of the rights of free allocation (for a total of 184.1 million euros) from shareholders who opted to sell them to Repsol in the bonus issue of December 2012 and January 2013, in the framework of the "Repsol Flexible Dividend" Program; the estimated amount for the acquisition of the rights of free allotment (totaling 208.4 million euros) in the bonus issue to be carried out in July 2013 in the framework of the aforesaid Program; and a cash dividend of 0.04 euros per share, payable to outstanding shares with the right to remuneration (up to a maximum of 51.3 million euros).

For more information, see Note 3 of the Individual Annual Accounts Report and Note 16 of the Consolidated Annual Accounts Report, both corresponding to the year 2012.

# Identifying and managing risks

As a petroleum and gas company we are active in many countries, each with different regulatory frameworks, and face a variety of risks as a result.

*We review and update our risk map annually.*

Risk management is an ongoing identification, control and reporting process. At Repsol we have developed a map of the company's main risks, with five major categories:

- **Financial and market risks**, stemming from price volatility of oil, natural gas and derivative products; exchange rates and interest rates. This also includes risks related to the company's liquidity positions and solvency and counterpart risks, stemming from financial contracts and commercial commitments with suppliers or customers.
- **Risks relating to the company's strategy, portfolio management and resource allocation**. These risks arise from the company's internal decisions, which must be approved by the Management Committee or the Board of Directors.
- **Operating environment risks**, including factors external to the company, such as the macroeconomic context, conditions within the sector, country risk, natural catastrophes, competition, relationships with partners or stakeholder perceptions.
- **Regulatory and compliance risks**, related to regulatory changes, compliance and applicable regulations in legal and fiscal matters; safety and environmental reporting; and corporate governance aspects.
- **Operational risks** associated with the effectiveness and efficiency of our operations. These risks may apply if our internal processes are unsuitable or ineffective. Of particular importance are ethics and conduct, safety and environmental risks and those relating to breaches of human rights.

Repsol's risk management also concerns the parameters and controls in place to manage such risks; the company units involved in managing, controlling and supervising them; and the applicable regulations.

The risk map was reviewed in 2012 as part of a process coordinated by CD Audit and Control. Each unit involved in risk management helps update the risk map to reflect the trends in the main indicators and conditions in our operating environment.

More information on identifying and managing risks is available at  
[responsabilidadcorporativa.repsol.com](http://responsabilidadcorporativa.repsol.com)

## Actions to minimize risks

We are putting programs in place to monitor compliance with legal obligations. We have control systems that help us to identify problems early and allow us to prevent and, if necessary, detect criminal behavior.

*The CD Audit and Control evaluates the effectiveness of our internal control systems and monitors compliance models and risks within the company.*

The Repsol group has an internal control model to monitor financial information (SCIIF), which is based on the leading COSO methodological system (*Committee of Sponsoring Organizations of the Treadway Commission*), intended to ensure that all transactions made are recorded in line with accounting requirements, and to help in the prevention or detection of errors that could have a significant impact on the annual consolidated accounts. This internal financial information control model has five components:

- **i)** The entity's control environment
- **ii)** Risk assessment
- **iii)** Control activities
- **iv)** Information and communication
- **v)** Supervision of system operation

The different business units and corporate areas identified as "control owners" are responsible for ensuring that the controls are valid and functional, and that they are carried out, as well as checking the design of the associated processes.

The CD Audit and Control oversees evaluation of the design and operation of the SCIIF, which comprises 836 controls. This model is updated, evaluated and certified once a year, and its results are reported to the governance bodies of the Repsol group and the Audit and Control Committee.

The company also has a Crime Prevention Model (CPM) to prevent and, where necessary, uncover criminal conduct by the managers and employees of the Repsol group's Spanish companies. This reduces the company's criminal liability, preventing possible sanctions and negative consequences to the group's reputation and capital markets, and bringing the group's Spanish companies into line with best anti-corruption practices.

The various business units and corporate areas identified as "control owners" are responsible for ensuring that any criminal risks associated with their activity are fully covered, as well as ensuring the effectiveness of the mitigating controls and processes.

The CD Audit and Control, in coordination with the Legal Services and Corporate Governance areas, monitors the CPM tracking and periodic assessment processes in the Repsol group's Spanish companies.

The CPM is subject to annual external verification, conducted by an independent expert, who issues an opinion on the design and operation of the CPM in each of the companies covered by it. The results of this external verification process are reported to the boards of the companies covered by the CPM, and may also be reported to the Repsol, S.A. company management and the Board of Directors' Audit and Control Committee.

In 2012, a gradual process got underway to formalize the Crime Prevention Model in those countries where Repsol operates and which are considered to be most significant in this respect.

The company also has a Regulatory Compliance Program that monitors compliance with formal legal obligations in relation to its activities in 47 different countries. This helps limit compliance-related risks. This program is based on periodic self-assessment of compliance in a number of areas. The CD Audit and Control monitors the periodic self-assessment processes conducted by these responsible areas and reports on its findings.



### **Audit projects**

The CD Audit and Control plans our audit activities every year. It focuses on risks, with emphasis on reviewing those units, processes or countries considered to be most critical.

To do this, we rely on a methodology we have developed to identify and assess risks, beginning with our risk map. Having identified the projects, the scope of the review in each case is determined according to the specific risk assessment for the units and processes to be reviewed.

In addition, we continually monitor our progress on a set of relevant process indicators. This monitoring helps to minimize risks as it extends the coverage of the transactions audited and helps problems to be detected early.

As of December 31, 2012, some 1,105 control points were being monitored each month in relation to indicators in use at 28 Repsol companies in 16 countries.

In the first quarter of 2012, the Audit project management team, working with the Corporate Responsibility and Institutional Services Division, prepared an inventory of limited and one-off tests on various aspects of corporate responsibility (ethics and conduct, human rights, labor practices, community relations and other general aspects). These tests were incorporated in the projects included in the approved planning for 2012 and their scope, although limited, included both operations and companies in which the group has management control and others that it does not operate and /or suppliers and distributors.

More information on identifying and managing risks is available at  
[responsabilidadcorporativa.repsol.com](http://responsabilidadcorporativa.repsol.com)

## Our stakeholders

We devote effort and resources to understanding our stakeholders' expectations in relation to our ethical, social and environmental performance, and to integrate these into our decision-making. We apply our methodology to identify these expectations consistently, both at corporate level and in the main countries where we operate.

*In 2012, expectation analyses were carried out for the first time in Spain, Ecuador, Bolivia and Peru.*

We are establishing processes to engage and communicate widely. This helps us to identify our stakeholders' expectations, enabling us to include new and different points of view in our internal management and decision-making processes.

We have relationships with stakeholders specific to our global/corporate, country and operating site activities. At each level, we must listen to our stakeholders, defining mechanisms to identify their concerns and expectations regarding our ethical, social and environmental performance.

**At global level**, we have stakeholders such as investors, international human rights and environment defenders, and global governance institutions.

**At country level**, typical stakeholders include authorities, employees, suppliers, contractors and other civil society organizations, concerned with more local questions relating to our performance in occupational safety, job creation, staff diversity, the integration of people with disabilities, work-life balance and payment practices for orders and contracts.

**At operating site level** (e.g. refineries), we meet with local communities and their institutions, and local civil society organizations. Their concerns are similar to those at country level, as well as local employment, company participation in community initiatives and the control of local environmental impacts, among others.

The essence of corporate responsibility requires us to formally and systematically incorporate our stakeholders' expectations into the company's decision-making processes.

### **Corporate responsibility working group with trade unions**

In 2009, Repsol's Labor Relations, Corporate Responsibility and Institutional Services departments and representatives of the Spanish unions, Comisiones Obreras (CCOO) and the Unión General de Trabajadores (UGT), formed a working group to share, discuss and make progress on corporate responsibility matters. The group comprises four Repsol representatives and six representatives from the unions.

During 2012, this group held three meetings, at which the following issues, among others, were discussed:

- The setting-up of Corporate Responsibility Committees in Spain, Bolivia, Ecuador and Peru, as well as the preparation of the first sustainability plans in these countries
- The Corporate Responsibility Report 2011
- The Expectations Identification Analyses

### **Expectations Identification Analyses**

The Repsol Corporate Responsibility Coordination System consists of four elements: ascertaining expectations; reviewing performance; improving performance in line with expectations; and measuring progress.

To identify and understand our stakeholders' expectations in relation to the company's ethical, environmental and social performance, we use a number of mechanisms. Many of them derive from the practical knowledge and the direct dialog of company units. We also use international corporate responsibility standards as a source of expectations, since they represent the broadest international consensus on acceptable behavior for multinational corporations. These include:

- The United Nations Guiding Principles on Business and Human Rights
- The ISO 26000 international guidance standard on social responsibility
- The OECD Guidelines for Multinational Enterprises
- The International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability

Another source of expectations are the best practices identified in our industry to prevent negative impacts and maximize positive ones in our operations.

Furthermore, we draw up annual Expectations Analyses at corporate and country levels in order to engage with our stakeholders and identify the relevant ethical, social and environmental issues related to our industry and to Repsol.

In 2012, we produced a corporate Expectations Analysis covering investors, the international media, and the main global governance institutions in the CR field. The main issues discussed were related to the environment, organizational governance and fair operating practices.

This corporate study was supplemented by national studies in the four countries where we have set up CR Committees: Spain, Bolivia, Ecuador and Peru.

The national studies are qualitative by nature, designed to identify relevant issues, and are based on in-depth interviews with representatives of our stakeholders at country level. We have engaged with employees, our value chain, public organizations, the media and civil society in each of the four countries.

The main issues cited at country level included community involvement and development and the environment.

Human rights and governance were among the other fundamental issues that recurred most frequently in the three Latin American countries, whereas consumer issues had the third-highest expectations in Spain.

The results of these CR expectations analyses are combined with our analysis through the other mechanisms described above, allowing us to define the company's Sustainability Plans at corporate and country levels.

## Relationships with shareholders and investors

Repsol remains committed to transparency with its shareholders and investors, providing relevant and truthful information about the company.

*We promote open communication with all financial markets and shareholders.*

At Repsol, we foster our relationship with our shareholders and stock market analysts through our Shareholder Information Office (SIO), which is part of our Investor Relations Division.

### Minority shareholders

Shareholders can request any information they might need by visiting the Shareholder Information Office, using our free telephone line - 900 100 100 - or by mail or email. The SIO attended approximately 47,000 calls during 2012, an average of 180 per day. The most common subjects of inquiry were the share price, the General Meeting, the policy and dates for the payment of dividends, as well as a variety of facts about the company. Moreover, in 2012 we received about 950 emails requesting information on Repsol.

### Institutional Investors and analysts

The Investor Relations Division is in constant contact with institutional investors and stock market analysts. During 2012:

- We held 16 meetings with institutional investors in Europe, the United States and Asia, with the participation of senior management; and another 17 meetings involving the investor relations team.
- We attended 22 sector conferences in Europe and in the United States, which included meetings organized with institutional investors.
- Investors visited the company offices, which, together with the other activities, meant that we made contact with 900 institutional investors during 2012.
- We also organized an Exploration Day where we presented our 2012 exploration program to all the analysts that cover the company. We also organized a lunch for analysts from the Iberian Peninsula, to mark the launch of the Strategic Plan.

We believe that it's important to build a closer relationship with investors who use corporate responsibility criteria when choosing the companies they include in their respective portfolios. In late 2012, we drew up a report to identify investors who base their activities on Environmental, Social and Governance (ESG) criteria<sup>30</sup>, to develop an action plan with these investors during 2013.

#### **Sector leaders in the Thompson Reuters ranking**

During 2012, the company's investor relations team was considered the best both in Spain and in the European oil and gas sector, according to the prestigious [Thompson Reuters](#) ranking.

This ranking is the result of an exhaustive survey of investors and analysts, who rate a total of 745 companies. It is therefore a significant acknowledgment of the team's work.

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<sup>30</sup> ESG investors accord special importance to ethical, environmental, social and governance-related issues.

# The Corporate Responsibility Model

In 2012, the company approved the first national sustainability plans in four countries of operation.

*Through its sustainability plans, Repsol has publicly committed to 278 actions designed to maximize positive impacts and prevent negative impacts resulting from its activity.*

The 2012-2013 Sustainability Plans are the outcome of applying the [Corporate Responsibility Coordination System](#) within Repsol during 2012. These plans amount to 278 actions, spread across the Corporate Sustainability Plan and the Sustainability Plans for Spain, Bolivia, Ecuador and Peru.

Some 80% of the actions in the Sustainability Plans are linked to the variable remuneration of company employees.

In addition, in 2012 we worked on the deployment of the CR coordination system at facility level, which is expected to be introduced in Spain during 2013.

## National Sustainability Plans

The [2012-2013 Sustainability Plan for Spain](#) was approved in November 2012 and contains 100 actions. Of these, 79% are linked to the variable remuneration of the employees responsible for implementing the actions.

The [2012-2013 Sustainability Plan for Bolivia](#) was approved in June 2012 and has 15 actions, of which 80% are linked to the variable remuneration of the employees responsible for implementing the actions.

The [2012-2013 Sustainability Plan for Ecuador](#) was approved in May 2012 and has 47 actions. Of these, 74% are linked to the variable remuneration of the employees responsible for implementing the actions.

Lastly, the [2012-2013 Sustainability Plan for Peru](#) was approved in May 2012 and contains 54 actions to be carried out over 2012 and 2013. Of these, 80% are linked to the variable remuneration of the employees responsible for implementing the actions.

## Corporate Responsibility Committees

The Corporate CR Committee, created in 2009 and comprised of 13 executives, met three times in 2012. The issues they discussed and took decisions on included:

- Monitoring the 2012 Sustainability Plan and updating the Sustainability Plan with a 2013 horizon
- Developing an online human-rights training course for company employees
- Analyzing the external stakeholder expectations identified in 2012 through the Expectation Analyses
- Updating the Repsol Ethics and Conduct Regulation
- Integrating Repsol into the United Nations Framework on Business and Human Rights
- Application of the CR Coordination System at facility level
- Progress made by national Corporate Responsibility Committees

Each of the four [national Corporate Responsibility Committees](#) met twice in 2012 to discuss various matters, including the application of the CR Coordination System, the results of the Expectation Analyses, the approval of the 2012-2013 Sustainability Plans, human rights, and in the case of Ecuador and Peru, their respective annual corporate responsibility reports.

Further information about the Corporate Responsibility Model, the CR Coordination System, the Corporate Responsibility Committees and the Sustainability Plans is available at [repsol.com](https://www.repsol.com)

# Our challenges

## Committed to safety

Our goal is to achieve zero accidents in our operations. That's why we commit to fostering the working culture, conditions and mechanisms to help us avoid incidents. Our operations are subject to the most demanding safety standards, with particular attention on the protection of employees, contractor personnel, customers and the local environment. We continually invest significant human and economic resources to adopt the best management practices and cutting edge safety technologies.

*The Lost Time Injury Frequency Rate has fallen by 35% since 2009*

## Improving our accident rate

At Repsol we demand a high level of safety in all our operations. As a result, our accident rates continued to fall in 2012.

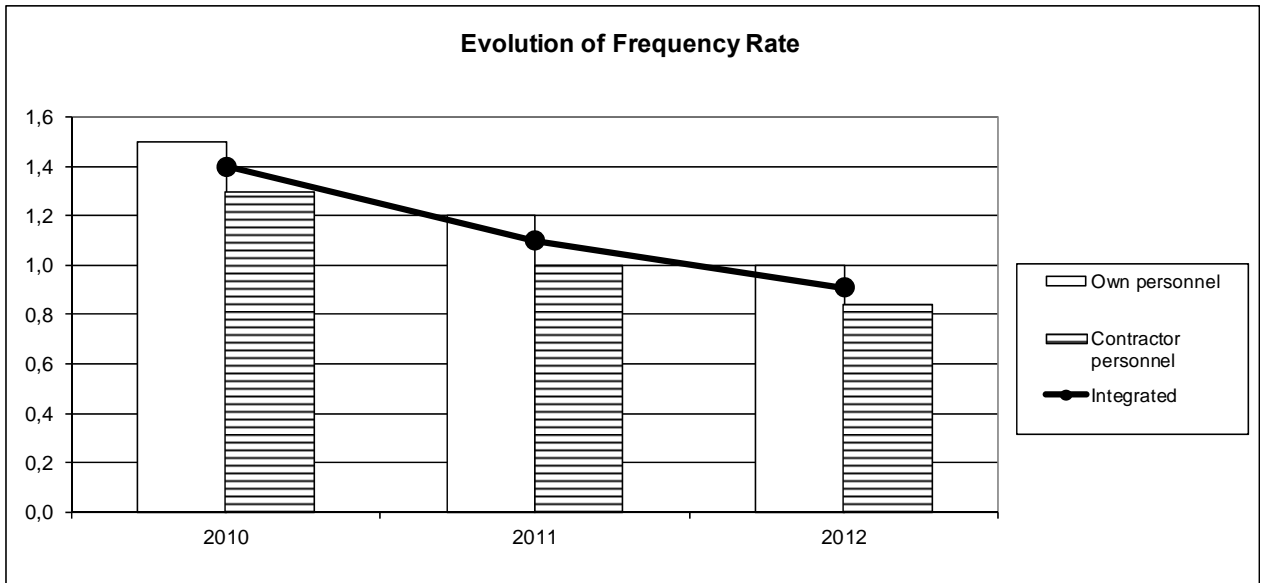
Our Lost Time Injury Frequency Rate (LTIF) for employee and contractor staff decreased by over 15% compared to the previous year, meeting our annual target. Our ultimate goal is to achieve zero accidents in our activities. However, we regret three fatal accidents in 2012 that led to the deaths of 4 contractor company personnel during work-related activities. Traffic accidents during LPG (Liquefied Petroleum Gas) logistics operations caused three of the deaths, two in Peru and one in Ecuador. The fourth fatal accident occurred during exploration activities in Kurdistan and was caused by heat stroke.

As a consequence of the fatal traffic accidents, actions were stepped up as part of the transport safety plan during 2012. These included the rollout of advanced training programs for drivers, awareness-raising campaigns, working with suppliers, and an increase in follow-up and controls, as well as risk assessments of existing client routes and the establishment of marketing criteria based on those risk assessments.

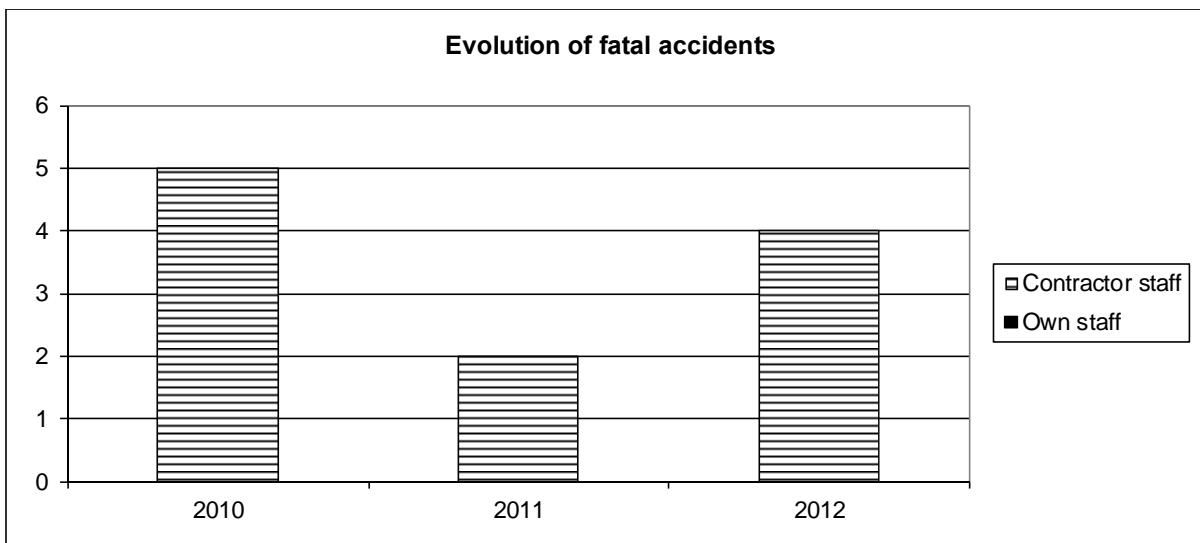
Meanwhile, our Recordable Injury Frequency Rate (RIF) for employees and contractor staff, which includes accidents with and without lost time, continued the same downward trend as the LTIF rate, falling by 25% compared to 2011.

## Safety Indicators/Results <sup>31</sup>

### Lost Time Injury Frequency Rate <sup>32</sup>



### Fatal Accidents (employees and contractor staff)

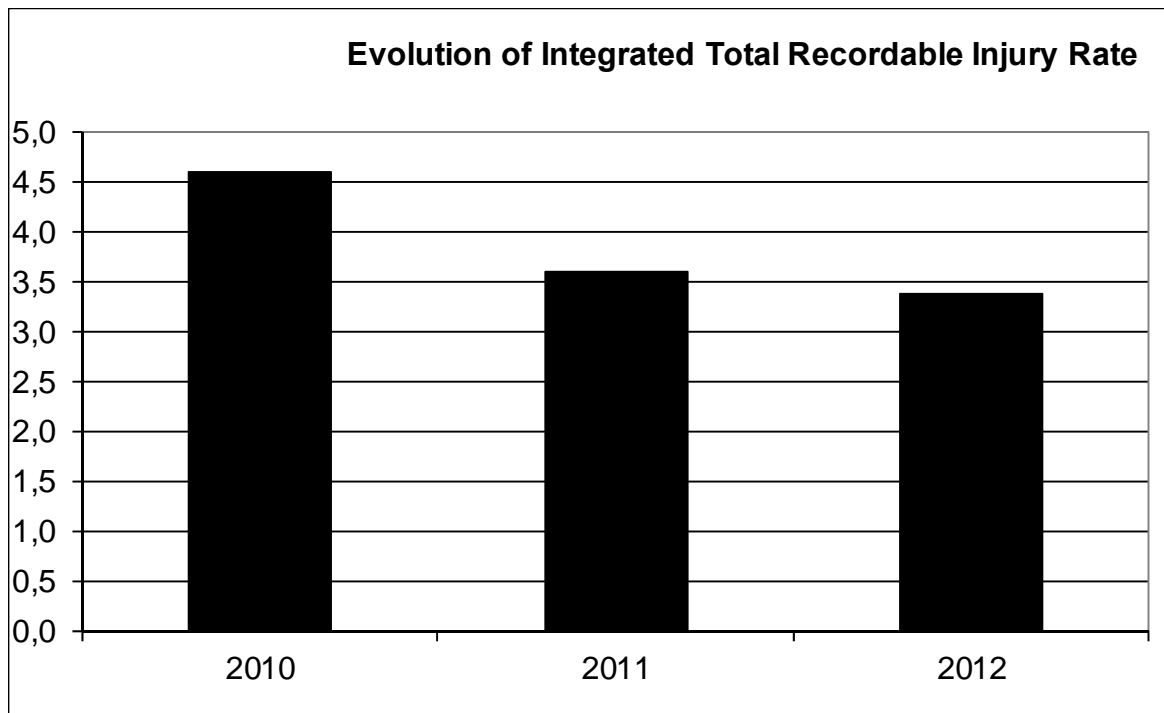


<sup>31</sup> To process the safety indicators, Repsol's corporate regulations set out a common methodology and criteria for recording incidents, which is complemented by an incident management indicator guide. These indicators include safety data for 100% of the staff in subsidiaries where Repsol holds a majority interest and/or has operating liability (control).

<sup>32</sup> Lost Time Injury Frequency Rate: Measured as the number of lost time accidents and fatal accidents accumulated during the year per million hours worked.



Total Recordable Injury Frequency Rate<sup>33</sup>



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<sup>33</sup> Recordable injury frequency rate: Measured as the number of accidents without lost time, with lost time, and fatal accidents accumulated during the year per million hours worked.

## **Incident investigation**

We investigate and identify the root causes of incidents to learn lessons and implement improvement actions to prevent similar accidents across the company's activities.

*The Graphic Investigation Tool (HGI) tool supports our investigations of incidents.*

Our corporate regulations set out a common methodology for safety and environmental incident investigation throughout the company. Its aim is to identify not only the damage and consequences of the incident, but also the root causes and key factors involved, in order to establish preventive and corrective actions to prevent a repeat of the incident, or similar incidents. The root cause analysis methodology has been selected for this purpose, based on the cause-effect principle, which comprises a structured method for resolving issues through understanding and consequently preventing the causes. In this way, problems can be tackled by cause elimination or correction, which minimizes the possibility of a recurrence.

We have a powerful and adaptable IT tool to aid incident investigation throughout the company, the Graphic Investigation Tool (HGI), which is integrated with GAMA<sup>®</sup>, the corporate tool used for incident management. This is used to communicate, record, analyze, follow-up and consolidate information on accident rates. This tool is accessed via the intranet, thus enabling efficient incident management and analysis.

Training programs have also continued to help to implement and deploy internal standards. Specifically, during 2012, training in upstream activities focused on raising awareness of the incident management process and how to use the process support tools (GAMA<sup>®</sup>, HGI), as well as promoting recording, investigation and action to reduce incident rates. Training sessions were run in Bolivia and Ecuador in 2012. It is a four-day course, containing different modules, each of which is aimed at a different target audience, based on their responsibility within incident management.

### **Improvement actions and lessons learned**

In Repsol, we use our recording and investigation of accidents, risk analyses, emergencies, inspections, and others to identify improvement actions. Corporate objectives were established over 5 years ago regarding incident investigation and the implementation of improvement actions derived from those investigations.

In addition, we generate lessons learned that promote the insight gained through the analysis and reflection on investigations. This lends transparency to incidents taking place in the company, which enables us to manage incidents consistently, and to create an awareness-raising culture in terms of safety and the environment.

To standardize our approach, in 2012 we worked to develop an internal regulation regarding the management of improvement actions and lessons learned for safety and the environment. This also simplifies management of small-scale improvement actions.

## **Our strategy**

In our Policy on Health, Safety and Environment, Repsol commits to carrying out its activities based on core values such as the health and safety of individuals, and environmental protection.

*We set annual safety and environmental objectives, which are approved by the company's Executive Committee*

We demand a high level of safety in all our operations and conduct them in accordance with strict standards. Our main concern is the protection of the people who work at our installations, our customers and all the inhabitants of the communities where we operate.

This requires a substantial commitment at all levels in our organization. The Executive Committee establishes the objectives and strategic safety and environment lines, on which the targets and plans of action of all company businesses are prepared. These plans identify the actions required to achieve continual improvement, as well as investments and associated expenses, and adaptations to meet new legal requirements.

Moreover, the annual Lost Time Injury Frequency Rate target forms part of the annual targets in the business units and for Repsol employees with a variable remuneration linked to achieving objectives. Furthermore, this objective is also included in the company's multiple-year variable remuneration schemes.

Since 2005, the Audit and Control Committee of the Board of Directors has overseen and directed the company's policy, guidelines and objectives related to safety and the environment.

In 2012, a new strategic thought process on Safety and the Environment was developed. This involved analyzing the main trends in the context of Safety and Environment, likely future legislation, the main stakeholders' expectations, and the performance and future plans of the leading companies in the sector. We have also looked at the situation and expectations for our company via interviews with key people, analyzing indicators, the results of audits, plans and projects, and the Repsol Strategic Plan.

## Safety management system

Our safety and environmental management system comprises regulations, procedures and tools, which comply with the leading international standards in the sector.

*We carried out over 400 safety and environment audits in 2012.*

In our Policy on Health, Safety and Environment, we commit to comply with the legal requirements in force in each location, as well as to establish common standards of conduct as regards safety, health and the environment, regardless of where we operate. We also commit to operating with consideration for the health and safety of people and protecting the environment as core values.

The management system is the basis of safety and environment management. It consists of policies, procedures, technical guides and management tools, which are applicable to all company activities and include strict requirements. It is constantly updated to adapt to best sector practices.

We use audits to monitor and confirm the efficacy of our management system, promoting improvements that protect our facilities and workers, and help us manage risk. Every year we implement a safety and environment audit plan that includes external audits (voluntary for certification and/or mandatory) and "cross referenced" internal audits in which qualified personnel from different business units audit one another. See the table below.

<b>Safety and environment audits carried out in 2012<sup>34</sup></b>	<b>Number</b>
Internal	240
Certification	87
External (mandatory)	76
<b>Total Repsol</b>	<b>403</b>

### We increase our OHSAS 18001 certifications

The safety management system is aligned with the OHSAS 18001 Occupational Health and Safety Management System international standard, and we encourage our company sites to be certified in accordance with this standard to promote continuous improvement and to obtain external validation of our management systems.

All our refineries and chemical plants are currently certified, in addition to the lubricant and special product facilities. The table Main OHSAS 18001 certifications in 2012 lists the main facilities certified at December 31, 2012. There are also 10 certified service stations in Peru and two certified logistics terminals in Portugal that are not included in the table.

Our total number of certifications continued to rise during 2012, after the Pucallpa LPG plant in Peru and the exploration and production activity in Spain (incorporating Casablanca and Poseidon) were awarded OHSAS 18001 certification.

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<sup>34</sup> Internal audits carried out by personnel from each site are not included

More information on certification at [buscadorcertificados.repsol.com](http://buscadorcertificados.repsol.com)

<b>Main OHSAS 18001 certifications by activity in 2012</b>		
<b>Activity</b>	<b>Sites certified under OHSAS 18001</b>	<b>Percentage</b>
Refining	6 of 6	100
Chemicals	6 of 6	100
Exploration and production	4 of 6	83
LPG	25 of 32	78
Lubricants and Special Products	13 of 13	100
Technology sites	1 of 1	100

## Safety in Project Margarita: a landmark project for Bolivia and Repsol

We completed Phase I of the Margarita-Huacaya Project in mid-2012. This is a landmark project in Bolivia's development, tripling in gas production (from 3 million to 10 million m<sup>3</sup> of gas a day), increasing supply for both the domestic and foreign markets. It has also been a landmark for Repsol in which we met our goal of carrying out the project with the highest safety and environment standards, and in harmony with the indigenous communities.

Throughout the construction of the plant and the gas and condensate collection and discharge lines, as well as the adaptation and completion of the productive wells, safety, we worked to guarantee environmental protection and respect for biological diversity, thanks to the commitment of the working group and the training provided to our contractors.

Although requiring over 12 million working hours, and with peak activity involving up to 4000 people (employees and contractor staff), we achieved a lost time injury frequency rate of 0.46. This outstanding result was achieved through several initiatives:

- Common safety requirements from the start of the project, in line with the company's internal regulations
- Strict technical supervision of every detail of the construction
- Logistics planning as a key element for safety: a system of modules and skids were manufactured in different locations around the world (Spain, the United States, Japan, Italy, etc.), shipped to ports in Chile, and transported by land for more than 1700 km until reaching the plant in the Bolivian Chaco
- Improvements to the uneven road used in the final leg allowed large lorries to pass safely. We also implemented appropriate traffic control measures to prevent accidents
- The manufacture of the equipment in more than 20 countries led to over 350 shipments by sea, over 180 by air, and around 2500 overland trips, the majority of which took place in adverse conditions due to the intense rains and topographical restrictions.
- A rescue system for staff working at heights of over 90 meters on the flare boom lifting process, which had to be undertaken section by section, and was one of the most complex tasks
- Access through difficult topography, particularly the Caipipendi mountains, one of the most inaccessible ranges in the Bolivian Chaco. To make the crossing, we had to guarantee pipe integrity during the operation, reduce the movement of soil required for the construction to a minimum, and consider future accessibility for maintenance work, all with a view to minimize risks while the work was being carried out.

We incorporated safety elements in both the design and construction phase, making the Margarita gas processing plant a pioneering facility in this respect within the Bolivian hydrocarbon industry. We also installed the first explosion-resistant electrical room, which will protect all the equipment inside it in the event of an adverse event such as a fire or explosion.

Finally, the successful construction phase was followed by a successful plant start-up. This is a credit to the commitment of all those involved, as well as the integration of the Engineering and Operations teams. The training provided to Plant operations team gave the operators right knowledge beforehand to avoid incidents involving staff and the environment.

## **Process safety**

We demand a high level of safety in all our operations. Improving the identification, evaluation, and management of industrial risks is a key factor for increasing safety.

*We have reviewed our internal regulations for the prevention and mitigation of fires, explosions and toxic releases.*

At Repsol, our internal regulations are designed to ensure that risks are correctly identified and managed throughout the life cycle of a facility, from design until it is abandonment. This prevents damage to people and assets, as well as minimizing environmental impact.

We approved a regulation in 2010 to manage safety and environmental risks in industrial assets, which requires the development of business plans to adapt facilities to the strictest standards. Those plans have continued to form part of our business objectives during 2012. We have also developed specific training on the business and guidelines to help implement the regulation. For example, the guideline for the qualitative risk assessment (CEL), approved in December 2012, is intended to estimate the risk involved with each accident scenario and the prioritization of improvement actions, will help with the understanding and use of this methodology.

We also reviewed our internal Prevention and Mitigation of Fires, Explosions and Toxic Releases regulation during 2012. This regulation contains the minimum criteria for minimizing or eliminating the consequences of serious incidents caused by explosions, fires and toxic leaks in Repsol's industrial assets, including operations and activities, as well as business specific requirements. During the review, we emphasized inherent safety in the design and prevention safeguards in process safety.

The introduction of improvements in the prevention of fires, explosions and toxic leaks helps, among other aspects, to improve the company's safety and environment performance, create more robust spill prevention mechanisms, and reduce the accident rate and impacts from offshore and drilling projects, the effect of spills on Marketing and the accident rate in the LPG client facilities.

## Safety on offshore platforms

We have extensive experience in offshore operations, and our deep water well-drilling is carried out in compliance with the sector's strictest requirements.

*We apply OGP's recommendations to prevent and improve the response to spills.*

### Offshore activities

At December 31, Repsol was operating 287 blocks at sea in 17 countries. We also had a non-operated stake in 175 blocks in 12 countries.

Offshore blocks operated by Repsol			
Country	Exploration	Development	Total
Spain	14	12	26
Angola	1	0	1
Australia	1	0	1
Brazil	5	0	5
Colombia	1	0	1
United States	232	0	232
Guyana	1	0	1
Indonesia	1	0	1
Ireland	1	0	1
Liberia	2	0	2
Morocco	1	0	1
Namibia	3	0	3
Norway	3	0	3
Portugal	2	0	2
Trinidad and Tobago	0	3	3
Tunisia	3	0	3
Venezuela	0	1	1
<b>Total</b>	<b>271</b>	<b>16</b>	<b>287</b>

Repsol is an active member of the International Association of Oil & Gas Producers (OGP), which brings together oil and gas production companies to promote safety and sustainable operations. We apply the OGP recommendations for improved prevention and spill response to ensure that the lessons learned from industry incidents (Macondo in the Gulf of Mexico, Montara in the US and others) are applied to offshore operations around the world. The following are the core recommendations:

- Improvements in review processes, as well as internal and external audits, to ensure prevention and reliability of operations. Repsol has improved or implemented new project management systems, peer reviews, equipment integrity audits, and internal and external audits of management systems.
- Strengthening risk management during all stages of drilling projects. Repsol's new internal standards for exploration and production include specific requirements for the identification and management of hazards that could cause very serious damage to people's lives, the environment or the assets. This involves a *Bow-tie* analysis of all upstream activities with



the aim of identifying hazards and the analysis, assessment and communication of the risks involved with these types of serious incidents.

- Individual and team training, to improve the ability to understand and manage risks. This is a critical aspect of Repsol's employee and supplier competency evaluations, particularly those with responsibility for critical safety and environmental elements.
- Application of international standards and best practices. Our expert personnel constantly analyze and advertise the benchmark regulations and standards, to ensure that our company applies the best sectorial practices.
- Application of double barrier criteria to the design and operation of productive wells with the objective of avoiding the discharge of hydrocarbons and other fluids into the environment.
- Enhanced emergency response procedures and plans at local, regional and international levels, to all company operations, with a particular focus on offshore operations.
- Effective oil spill response, with staff and teams ready to respond to any contingency at any time at each offshore well. In addition, we are members of OSR (*Oil Spill Response*), an international organization created by oil operating companies, which specializes in the prevention and control of oil spills, as well as related technical assistance.

In addition to these recommendations, specific requirements for seismic and drilling operations, as well as offshore platforms, were incorporated into the internal regulation on the Prevention and Mitigation of Fires, Explosions and Toxic Releases during the 2012 review.

## Transport safety

Improving safety in the transport of goods and personnel is one of our key objectives. To achieve it, we have taken action to control the risks associated with our activities.

*During 2012, we provided 3,365 hours of training on preventive and defensive driving.*

### Programs to improve road transport

We are continually working to reduce road transport accidents. Continuing last year's efforts, we work to encourage awareness and enhance driving skills through training. During 2012, we provided 3,365 hours of training to both drivers of product transportation vehicles (for example, preventative and defensive driving in product transportation for local-level logistic refinery activities in Spain), as well as company employees who use a car in their everyday activities (for example, safeguard driving courses for sales reps in the Chemicals department in Spain and Marketing in Peru).

Other initiatives in 2012 to improve road transport safety include:

- A specific training day on road safety was held for the upstream area, which included analysis of the real experiences of an operating site;
- The LPG business unit worked to implement the Transport and Discharge standard for customers, as well as training for haulage contractors and the implementation of a Transport Safety Council inspection program. We have also developed a risk assessment methodology for routes in Peru and Ecuador, and initiated route inspection programs.
- At corporate level, we held a training course for road safety trainers, and developed a mobility plan for the company's new head offices. The Mobility and Road Safety Plan at the Repsol Campus provides a tool for improved mobility in employee travel, both to and from work and during official travel. This plan has multiple objectives:
  - Improvements in road safety and the prevention of traffic accidents;
  - Reduction in environmental impact;
  - Increased efficiency and financial savings.

At Repsol we are committed to improving road safety. We are members of the European Road Safety Charter, a European Union initiative, in which authorities, research institutions, associations and companies participate to share ideas and experiences that help to mitigate road safety issues and reduce the number of accidents and victims ([www.erscharter.eu](http://www.erscharter.eu)). We also collaborate with the Spanish Road Association, whose main aim is a safer and improved quality road network ([www.aecarretera.com](http://www.aecarretera.com)).

### Requirements in sea transport

Our company does not have its own shipping fleet; therefore, when hiring vessels from third parties, we adopt rigorous appraisal and inspection criteria, which is known as vetting. We provide other companies with this screening service.

Our standards ensure that we constantly check that the oil, gas and chemical vessels we use comply with the strictest safety regulations. These include exhaustive reviews of the documentation provided by the technical operator of the vessel and international maritime databases, and conducting physical inspections during operations at the terminal. We reject vessels in which risks have been observed for future operations. We carried out a total of 1,776 preliminary vessel inspections in 2012, some 1,117 (62.9%) of which were deemed acceptable for one journey, with 659 deemed unacceptable. We also carried out 933 physical inspections, with 776 (83.2%) vessels considered acceptable and 157 unacceptable. To classify the vessels hired by the company, online questionnaires, available at [www.vetting.repsol.com](http://www.vetting.repsol.com), must be completed, documenting vessel age, flag, classification company, tonnage, type of hull; as well as ensuring compliance with the regulatory requirements of MARPOL (International Convention for the Prevention of Pollution from Ships) regarding operating limits for single hull vessels.

Currently all vessels that transport crude or store petroleum products for the company must be double hulled, regardless of the type of they transport or whether a heavy or light product is stored.

For the transport of heavy products, in 2008 Repsol began the gradual phasing out of single hull vessels above 600 dead weight tonnage (dwt) in countries with exceptions to the SOLAS regulations (International Convention for the Safety Of Life At Sea). We have achieved several milestones, regardless of the type of shipping and applicable country legislation:

- From early 2011, all vessels greater than 5,000 dwt transporting heavy products have a double hull
- As of January 1, 2012, all vessels greater than 600 dwt transporting heavy products must also have a double hull

The company is conducting a worldwide review of the internal regulations on safety and environmental management during river and sea operations and transport to modify them for all the company's activities and to apply the highest international maritime standards.

The Vetting area has established an assessment process for hired vessels, or those used for the transport of people or products, based on the size and function of the vessel. The acceptability of the vessel is recorded in a company database.

We also have a vessel operability evaluation guide which guides vessel operation in Repsol's river and sea terminals, over and above the criteria mentioned above. Our terminals will also form part of the OCIMF database (Oil Companies International Marine Forum) in order to make the facility characteristics known and, as such, improve safety during loading and unloading operations.

## Safety culture

We promote a culture of safety through information, consciousness, awareness-raising and training programs aimed at both employees and contractor personnel, as well as people in our communities

*Over 1500 leaders have received training on safety culture during 2012, which represents over 65% of the worldwide group.*

It is our belief that safety training is one of the most effective means of improving management and performance. To achieve this, we provide responsibility and activity based staff training, particularly for personnel directly involved in the management, operation and maintenance of facilities and systems, as well as people with direct responsibilities and relationships with customers, suppliers and contractors.

We believe that all employees should show responsibility for their own safety, in accordance with their specific functions, irrespective of their role, professional category or geographical location, in addition to contributing to the safety of the company as a whole.

We extend employee training on safety and the environment to contractor personnel that work in our operations, and require them to have the necessary knowledge to be able to perform their activities in the company.

*More information on this campaign and its results at [reglasbasicadeseguridad.repsol.com](http://reglasbasicadeseguridad.repsol.com).*

Specific training and awareness-raising programs for each activity are carried out in the company's business units. In 2012, a total of 12,520 employees received 217,899 hours of occupational health and safety training.

Training in occupational safety and health 2012 <sup>35</sup>			
	Hours	People <sup>36</sup>	Coverage rate <sup>37</sup>
Spain	146,117	8,435	41%
Peru	45,241	2,527	69%
Rest of Latin America <sup>38</sup>	14,825	564	26%
Rest of the world <sup>39</sup>	11,716	994	33%
<b>TOTAL</b>	<b>217,899</b>	<b>12,520</b>	<b>42%</b>

The main training programs implemented as standard across all the company's businesses during 2012 were the PRISMA program (see box below), incident investigation and safeguard driving. Activity-specific training was also provided on safety preventive observations, as well as firefighting courses and emergency plans, with the latter two focused on the move to the Campus Repsol Headquarters in Spain. In addition, we continued to intensify our training programs for contractor staff, who received 303,871 hours of training in 2012.

To enhance safety culture in employees and contractor personnel, as well as the company's

<sup>35</sup> The data includes the training of our regular and temporary personnel. This does not include contractor staff training.

<sup>36</sup> Persons attending courses

<sup>37</sup> Percentage of persons who have undergone training in relation to total staff

<sup>38</sup> Bolivia, Brazil, Colombia, Cuba, Ecuador, Guyana, Mexico and Venezuela

<sup>39</sup> Germany, Angola, Algeria, Canada, United Arab Emirates, United States, France, Netherlands, Iraq, Italy, Kazakhstan, Libya, Norway, Portugal, United Kingdom, Russia, Switzerland and Trinidad and Tobago

safety management system, we have seven basic rules to help prevent fatal accidents in our work sites. Since their approval in 2009, these rules have been circulated via an exhaustive communication plan to raise awareness of the importance of their application.

We currently use various channels for disseminating information, rules, and technical documentation.

### **The Safety and the Environment (SE) Leadership Plan**

Repsol rolled out our Safety and the Environment (SE) Leadership Plan in 2012, to promote a culture of excellence in safety and the environment through the organization's leaders, whose conduct should be an example for their employees. The aim of this Plan is to make progress towards the goal of zero accidents.

This Plan targets all executive personnel and company leaders, as they are present in all business and corporate areas. The idea is for the leaders to foster a cultural shift, promoting a greater awareness of safety and the environment, using their words and actions to influence the conduct of all workers. The Plan involves around 2,400 people across all Repsol's business units worldwide, including corporate roles.

A monitoring team was included in the SE Leadership Plan to guide and supervise implementation once initiated. The core team is comprised of senior Repsol managers, with the goal of ensuring the organization is committed and invests the necessary resources for the Plan to succeed.

The Leadership Plan was presented to all the company leaders in April, at an event attended by the President and several representatives of the company's senior management. The event reached a wide audience throughout the company, with more than 2000 leaders viewing it live, or via a retransmission available through the company's Intranet.

[A photo with the 8 SE leadership behaviors]

The idea behind the SE Leadership Plan is for company leaders to take on board and put into practice the eight safety and the environment behaviors defined by the company's Health, Safety and Environmental Policy. As such, planned actions are being carried out in the areas of development, training and communication.

With regard to development, corporate personal development tools are being applied so leaders can systematically acknowledge exemplary conduct in SE. Each company leader developed a personal improvement plan for SE conduct in 2012. This has given all the leaders the ability to define day-to-day improvement actions in safety and the environment in their respective areas.

The key training initiative is the PRISMA Program, which involves a leadership course in SE aimed at all leaders. The objective is for the entire group to attend the course between 2012 and 2013. 45 sessions have been held in Spain throughout 2012, along with 12 sessions in other countries (Portugal, Peru, Ecuador, Bolivia and the US). 1577 leaders have already attended, which represents over 65% of the worldwide group.

On the communication front, memos to all employees have paid particular attention to SE issues. 2012 has seen increased dissemination of the eight behaviors, the seven basic safety rules, and tools to aid leaders in defining and implementing their action plans for SE. We have circulated success stories such as the projects in Cartagena (C-10 extension and improvement of the Cartagena refinery) and Petronor (ADI-1000 reduction of fuel oil production in the Petronor refinery), both located in Spain, and other good practice initiatives. These are designed to show the work being carried out companywide to promote a cultural shift in safety and the environment. Companywide campaigns have also encouraged employees in different countries and businesses to share their day-to-day experiences to improve performance in SE.

## Minimizing environmental impact

At Repsol we are committed to protecting the environment. We show this commitment through our ongoing efforts to prevent possible impacts to the environment from our operations. To this end, we have adopted a range of measures such as identification, analysis and mitigation of impacts, improvements in facility design, processes and management systems, as well as investment in new technologies.

### Our data

*During 2012, our main atmospheric emissions decreased by 9%, we increased our reuse of water by 20%, and we earmarked 67% of our hazardous waste for reuse, valorization and recycling.*

We continually take steps to improve our performance in the management of atmospheric emissions, efficient water use, the quality of discharges into water, and the optimization of hazardous waste treatment.

We have an exclusive IT tool for recording, analyzing, monitoring and consolidating environmental information. This tool is accessible to all of the company's sites via our intranet, enabling our staff to upload and validate our environmental indicators<sup>40</sup>. We apply a common methodology for this throughout all our businesses, which is included in the company's Guide to Environmental Parameters and is based on internationally recognized documents and guides used in the sector.

	2010	2011	2012
<b>Atmospheric emissions<sup>41</sup> (metric tons)</b>			
SO <sub>2</sub>	54,936	50,131	36,949
NO <sub>x</sub>	34,073	32,922	33,566
NMVOC	41,933	41,809	42,885
CO	8,832	8,804	8,696
Particulates	2,446	2,235	1,655
<b>TOTAL</b>	<b>142,221</b>	<b>135,901</b>	<b>123,751</b>
<b>Water management (metric tons)</b>			
Fresh water withdrawn	58,017	61,156	56,243
Discharged	38,271	39,728	38,925
Reused	6,982	6,971	8,375
Produced	58,408	56,758	58,556
Injected	52,895	51,976	53,678
<b>Discharges (metric tons)</b>			
Hydrocarbons	150	151	259
Suspended solids	1,413	1,594	1,581
COD	5,372	10,758	8,752
<b>Waste management (metric tons)</b>			
Hazardous waste <sup>42</sup>	122,393	118,734	80,963
Non-hazardous waste	105,856	93,195	71,700

<sup>40</sup> For further information on the scope of the data in this chapter, see the section "Scope of the Report" in the chapter "About this report"

<sup>41</sup> For data on emissions from mobile sources, only those associated with own transport are included.

<sup>42</sup> Operational hazardous waste

<b>Spills<sup>43</sup></b>			
Number of hydrocarbon spills greater than one barrel that reach the environment	27	37	29
Volume of hydrocarbon spills that reach the environment (metric tons)	158	503	6,091
<b>Environmental fines /sanctions<sup>44</sup></b> (€ million)	0	0	0

<sup>43</sup> We report spills greater than one barrel that have reached the environment.

<sup>44</sup> Arising from litigation or administrative proceedings finalized and paid in the year, with an amount equal to or greater than materiality thresholds set in the individual litigation letters of Group companies. For further details on the 2012 data, see the Annual Consolidated Accounts Report, Note 35 "Contingencies, commitments and Liabilities" and Note 36 "Environmental information".

## **Environmental management**

In our Policy on Health, Safety and Environment, we commit to undertake our activities with consideration for the health and safety of people and environmental protection as core values.

*We establish annual safety and environmental objectives, which are approved by the company's Executive Committee*

### **Our strategic commitment to the environment**

Repsol's environmental principles are defined in our Policy on Health, Safety and Environment, and they are applicable across the entire company. We incorporate environmental criteria throughout the entire life cycle of activities, which enables us to minimize our environmental impact.

This requires a substantial commitment at all levels of our organization, and for this reason, the Executive Committee establishes the safety and environment objectives and strategies, which are the basis for preparing the objectives and action plans for all company business units. These plans identify necessary continuous improvements, required investments and associated expenses, and adaptation to new legal requirements.

Environmental objectives form part of the annual objectives of the business units and of the employees with a variable portion of remuneration linked to achieving objectives.

Since 2005, the Audit and Control Committee of the Board of Directors has overseen and directed the company's policy, guidelines and objectives related to safety and the environment.

In 2012, a new strategic thought process on Safety and the Environment was developed. This involved the analysis of the main trends in the context of Safety and Environment, likely future legislation, the expectations of our main stakeholders, and the performance and future plans of the leading companies in the sector. We have also looked at the situation and expectations our company via interviews with key people, the analysis of indicators, the results of audits, plans and projects, as well as the Repsol Strategic Plan.

### **We invest in improvement**

Some of the main environmental investments undertaken in 2012 involved improving spill prevention systems, improving the environmental quality of oil products, minimizing atmospheric emissions, increasing energy efficiency, optimizing water consumption, and reducing the pollutant load of discharges. For further information on environmental investments and costs, see Note 36 (Environmental Information) in the 2012 Corporate Consolidated Report.

Our main investment projects in 2012 included the continuation of our comprehensive action plan to protect the coast of Tarragona (Spain) with an environmental investment amounting to €22 million, the fuel quality improvement project at the La Pampilla Refinery (Peru) totaling €7 million, and the continuation of the fuel quality improvement project at the La Coruña (Spain) refinery with an environmental investment of €6 million.

### **Our environmental management model**

In our Policy on Health, Safety and Environment we commit to complying with legal requirements, as well as establishing common standards of conduct on health, safety and the environment, wherever we operate in the world. We also commit to developing our activities with consideration for the health and safety of people and environmental protection as core values.

Our management system is the basis for safety and environmental management. It consists of norms, standards, technical guides and management tools, applicable in all company activities, and including strict requirements, which are constantly updated to adapt to the best practices in the sector.



The Environmental Operational Control process is essential for the company's environmental management and affects all business units. It is a complex process that is customized for air, soil, water and waste management and for each activity (Upstream, Refining, Chemicals, Marketing and others). Also, increasing legal pressure increases the volume and complexity of the work, as well as the need for improvement in the processes themselves. Within this context, Repsol has decided to implement a companywide **Environmental Management Information System (EMIS)** to support the Environmental Operational Control Process in all the Company's industrial sites and areas of activity.

The main objectives of the EMIS application are to:

- Improve the traceability of environmental information to support data quality and auditing
- Reduce the effort required to validate, calculate and consolidate environmental information
- Reduce the time required to prepare and present reports
- Standardize and facilitate the transfer of knowledge on environmental management

During 2012, Repsol rolled out a pilot implementation project in the Industrial Complex of Puertollano. The scope of the project covers all the environmental factors involved with this refinery and chemical plant: waste treatment, atmospheric emissions management, energy consumption, water management, discharges to water, as well as soil monitoring. The pilot project was rolled out by a team assembled from across the company, and the collaboration of the industrial site was essential to ensure the project's success.

Once completed, and having assessed the results, Repsol decided to extend the implementation of this system to the rest of the company. The implementation will continue during 2013 in large industrial sites and all the company's operational assets will be progressively incorporated.

We also have a corporate norm for safety and environmental risk management in our industrial assets to ensure that the risks that might affect the safety of personnel, facilities, and the environment, are identified, studied, and minimized throughout the life cycle of our industrial assets. This norm establishes the environmental studies that must be conducted during each phase of the life cycle.

Furthermore, we have a corporate standard to establish common guidelines for environmental, social, and health impact assessments in all company operations. This standard focuses in the main on human rights and health aspects and integrating them with environmental aspects. The environmental section of the standard sets out the following studies that must be applied to all new projects: Identification of environmental resources and hazards, the environmental baseline, an environmental impact assessment and a monitoring plan.

### **Operations in the Canary Islands**

The Council of Ministers of Spain approved a Royal Decree on 16 March 2012, validating a previous version, dated 21 December 2001, which awarded a series of hydrocarbon research permits called Canarias-1, Canarias-2, Canarias-3, Canarias-4, Canarias-5, Canarias-6, Canarias-7, Canarias-8 and Canarias-9 to Repsol. After this approval, Repsol recommenced desk research and began to develop the Environmental Impact Assessment (EIA) for these permits in conjunction with a specialist Spanish agency and experts from the University of Las Palmas in Gran Canaria.

To develop the best exploration project possible, the strictest standards taken into account, similar to those that apply in Norway, and the best technology available will be employed. The outcome will be a project compatible with tourism (the main economic sector in the Canary Islands), water desalination, and the environment.

A Sea Floor Study of the area will be conducted throughout 2013, which will run a variety of different models of potential spills to discover any possible environmental impacts. This will allow us to prepare for any accidental circumstances and to avoid any damage to the environment. This will all be included in the EIA to be presented in the second half of 2013, which will be made available to the public.

The Initial Document of the exploration project detailing the two explorations, and a third possible one, was submitted to the relevant Authority in January 2013. The company plans to carry out the first exploration in Atlantic waters at the end of 2014 and the second one in 2015.

In addition to the exploratory and environmental assessment work, and in view of the need to engage with the residents of the Canary Islands about the project, Repsol has organized several company visits to provide details on the exploration plans. The Repsol president, Antonio Brufau, met with the president of the Canary Islands government, Paulino Rivero, on 6 March 2012. Different meetings with unions, business owners, associations and the media have been held since, and there has been participation in discussion forums.

It is Repsol's view that - should the explorations eventually confirm the presence of recoverable resources – a project of this type can help diversify the Canary Islands economy, and create wealth and employment in the archipelago.

Further information on environmental management aspects and improvement actions is at [medioambiente.repsol.com](http://medioambiente.repsol.com)

**Certified ISO 14001 sites**

Our environmental management system is aligned with the ISO 14001 international standard and we encourage the progressive certification of our company sites to this standard as a way of promoting continuous improvement and demonstrating external validation of our management systems.

We currently have certification for all refining and chemical industrial sites, as well as all lubricant and specialist product facilities. The table below lists the main facilities certified at December 31 2012. Other certified activities not listed in the table are the exploration activities in Libya, 36 service stations in Spain, 10 service stations in Peru, 44 marine and fishing supply facilities in Spain, 7 marketing subsidiaries in Spain, and 2 logistics terminals in Portugal.

During 2012, we continued to increase the number of certified centers with new certifications at the Pucallpa LPG plant in Peru and the Canaport LNG plant in Canada.

Further information on certification at [buscadorcertificados.repsol.com](http://buscadorcertificados.repsol.com)

<b>Main ISO 14001 certifications in 2012</b>		
<b>Activity</b>	<b>Certified ISO 14001 sites</b>	<b>%</b>
Refining	6 of 6	100
Chemicals	6 of 6	100
E&P	5 of 6	83
LNG	1 of 1	100
LPG	29 of 32	91

Technological Site	1 of 1	100
Lubricants and Specialist Products	13 of 13	100

We have also begun work on another type of certification, the Leadership in Energy and Environmental Design (LEED) sustainability certificate for buildings, under which the new corporate head office has been built. See the case study below.

**Certification of LEED sustainability, Campus Head Office (Spain)**

The Campus Project is a substantial step forward for sustainability in office buildings, as it has been designed, planned, constructed, and is being used and maintained under the LEED-NC® certification criteria for New Construction buildings.

The five areas of action that form the basis for the LEED NC ® certification are:

- Sustainable sites

The site selected allowed for the redevelopment of an old industrial area with existing infrastructure, and benefiting from an extensive public transport network (bus, metro, local trains, high speed national trains). It has been equipped to promote the use of bicycles, electric vehicles, high occupancy vehicles, and low emission and fuel efficient vehicles:

- o Bicycle parking for 5% of the building's occupants
- o Showers for 0.5% of the building's occupants
- o Preferential parking: 5% for low emission and fuel efficient vehicles, 3% for electric vehicles and 3% for high occupancy vehicles.

Also, to minimize the impact on neighboring communities, we developed a pollution remediation plan, an erosion and sedimentation control plan, sprayed non-potable water during work to prevent dust clouds, cleaned truck wheels prior to leaving the works site, installed temporary concrete tubs, controlled water runoff and flooding during rainy periods, protected the existing infrastructure and kept the area fit for pedestrian use.

- Water efficiency

We selected plant species adapted to the Madrid climate to reduce watering requirements in the landscaped areas. Also, rainwater is used for the watering, and water efficient plumbing devices have been installed. It is estimated that we have saved 25,000 m<sup>3</sup>/year (50%) of water used for gardening and 3,600 m<sup>3</sup>/year (30%) of drinking water.

- Energy and atmosphere

We have installed 1,200 photovoltaic solar panels producing an estimated 275,000 kW/year for onsite consumption, as well as gas heat pumps for air conditioning and hot water, leading to a reduction in CO2 emissions. This has led to a 42% efficiency improvement over the benchmark building (according to ASHRAE, the *American Society of Heating, Refrigeration and Air-Conditioning Engineers*).

- Materials and resources

From the design stage onwards, we selected materials with a high recycled content, equivalent to 20% of the total materials budget. This has lessened the impacts of extraction and processing of the raw materials. We also set aside 20% of the materials budget for locally sourced materials, as well as support for responsible forestry management.

- Indoor environmental quality

Inside the buildings, we use lighting system controls to maximize natural light indoors, some of the most advanced air conditioning systems, and air quality monitoring (to be tested in a 6 to 18 month period after occupation), to benefit employee health.

The local RITE (Building Thermal Installation Regulation) standard has been followed for the indoor environmental quality, which is more restrictive than the ASHRAE standard. We used low emission glues, sealants, paints and paneling, and installed independent extraction systems and filters in ventilation systems to control indoor sources of chemical products and contaminants.

**Why obtain a sustainability certificate?**

There are several international systems for sustainable building certification. We chose LEED NC® as it is the most widely used and covers the majority of sustainability aspects, with a good level of flexibility for certification. It is achieved through a credit-based system for the building sector, includes the design phases and covers 100% of the outer construction and interior work. As such, it provides complete assurance that the Campus building has been designed and built following the highest sustainability criteria.

Points toward certification are obtained as the project phases progress and the requirements set out in the standard are fulfilled. As it is an American agency, many of the credits are based on the ASHRAE regulation. The total points awarded to a project determine the level of certification: Silver, Gold, or Platinum.

A series of economic, financial, social, and chiefly environmental benefits are achieved with this type of certification. Sustainable design not only positively impacts public health and the environment but also reduces operational costs, improves the value of the building, and can potentially increase the productivity of the occupants and help to create a sustainable community.

**Environmental audits**

Our safety and environment audit plan includes internal audits, conducted by qualified personnel from a different site to the one under audit, external audits, and audits for certification. Under this plan all our sites are to be audited within a three-year cycle. The number of audits also must be balanced and complete, meaning audits are conducted on both technical aspects and management systems. See the table below.

<b>Safety and environment audits carried out in 2012</b>	<b>Number</b>
Internal <sup>45</sup>	240
Certification	87
External (mandatory)	76
<b>Total Repsol</b>	<b>403</b>

**Promoting training**

To enhance our environmental performance, we promote awareness and training programs. In 2012, we delivered 19,127 hours of environmental training to 2,468 employees. See table below.

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<sup>45</sup> Local internal audits carried out by personnel within each site are not included

<b>Environmental training 2012<sup>46</sup></b>			
	<b>Hours</b>	<b>Personnel<sup>47</sup></b>	<b>Rate of coverage<sup>48</sup></b>
Spain	10,310	1,292	6%
Peru	3,717	506	14%
Rest of Latin America <sup>49</sup>	4,327	488	23%
Rest of the world <sup>50</sup>	775	182	6%
<b>TOTAL</b>	<b>19,127</b>	<b>2,468</b>	<b>8%</b>

<sup>46</sup> The data includes the training of regular and temporary personnel. This does not include the training of contractor personnel.

<sup>47</sup> Persons attending courses.

<sup>48</sup> Percentage of persons who have undergone training in relation to total staff.

<sup>49</sup> Bolivia, Brazil, Colombia, Cuba, Ecuador, Guyana, Mexico and Venezuela.

<sup>50</sup> Germany, Angola, Saudi Arabia, Algeria, Canada, United States, Russian Federation, France, United Kingdom, Holland, Iraq, Italy, Kazakhstan, Libya, Norway, Portugal, Switzerland and Trinidad and Tobago.

## Emissions to air

We continue to strive to improve our atmospheric emission management. We have made improvements in facility design, processes and management, as well as invested in new technologies, to minimize our impact on the local environment.

*During 2012 our total main emissions to the atmosphere decreased by 9%.*

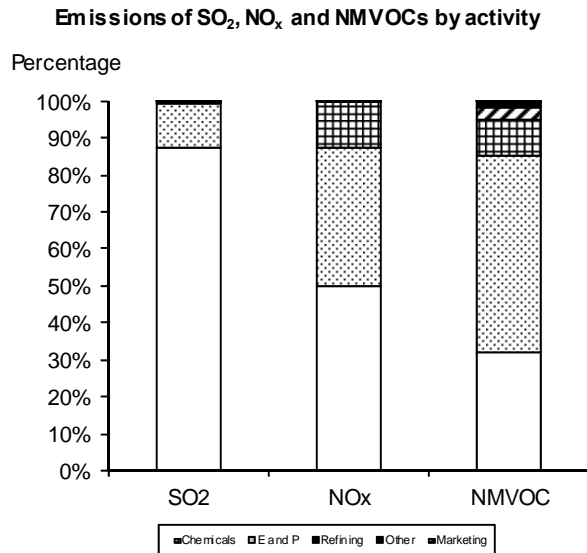
Our main air emissions are greenhouse gases<sup>51</sup>, sulfur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), non-methane volatile organic compounds (NMVOCs) and, to a lesser extent, carbon monoxide (CO) and particulates.

Emissions of SO<sub>2</sub> and NO<sub>x</sub> are generated in the combustion processes of our refining and exploration and production activities. There are also fugitive emissions of CH<sub>4</sub> and NMVOCs mainly from refining, crude oil and gas exploration operations, storage terminals, and service stations during the handling of gasoline.

In 2012 our SO<sub>2</sub> emissions decreased by 26% compared to the previous year as a result of replacing fuels and a lower sulfur concentration during refining. Emissions of NO<sub>x</sub> and NMVOCs increased by 2% and 3%, respectively. The increase in nitrogen oxide emissions is due to an increase in upstream drilling activities, while the increase in NMVOC emissions is mainly caused by the increase in production levels at the Cartagena Refinery after the implementation of the C-10 project at the end of 2011.

The specific values for those pollutants from refining in 2012 were 0.79 metric tons of SO<sub>2</sub> and 0.41 metric tons of NO<sub>x</sub>, both per processed metric ton<sup>52</sup>:

More information on emissions reduction programs and other actions on air emissions can be found at [casosdeestudio.repsol.com](http://casosdeestudio.repsol.com)

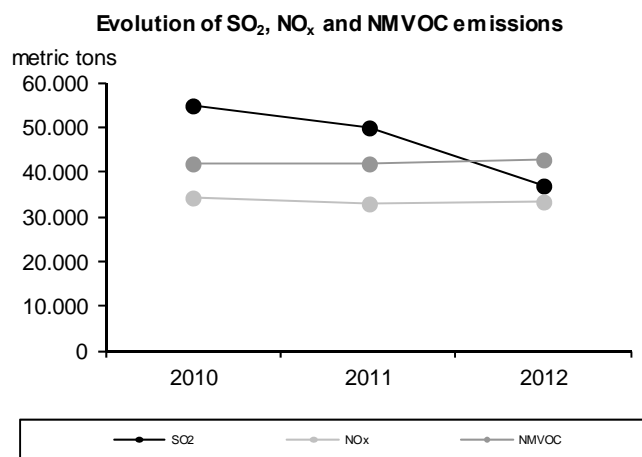


% Activity	SO <sub>2</sub>	NO <sub>x</sub>	NMVOC
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<sup>51</sup>Information on our greenhouse gas (GHG) emissions may be found in the Chapter on "Encouraging a low carbon strategy"

<sup>52</sup> The total processed is a combination of processed crude and other refinery intake.

Refining	87%	50%	32%
E&P	12%	38%	53%
Chemicals	1%	12%	10%
Marketing	0%	0%	3%
Others	0%	0%	2%
	100%	100%	100%



Metric tons	2010	2011	2012
SO <sub>2</sub>	54,936	50,131	36,949
NO <sub>x</sub>	34,073	32,922	33,566
NMVOC	41,933	41,809	42,885

### Improvements in the environmental quality of fuels

Repsol is committed to both respect for the environment and producing quality products. To that end, we make significant investments in our facilities to adapt the products to new specifications and to minimize air emissions.

#### Specifications in Europe / Spain

All our motor fuels comply with the EN228 and EN590 fuel quality specifications for gasoline and diesel respectively as required. Complying with these specifications involves producing gasoline and diesel, free of sulfur compounds (a maximum of 10 mg/kg) and with low aromatic compound content (under 1% v/v of benzene in gasoline), which leads to reduced atmospheric emissions of volatile components. Repsol has been actively involved in achieving those objectives.

With respect to other fuels, the Marine Fuels Directive DIR/2012/33/UE came into force on 21 November 2012, setting a timetable for sulfur reduction in those fuels. Repsol is committed to complying with that timetable and is currently collaborating with expert groups in accordance with the directive.

Repsol's aviation fuels comply with the JET A1-DEF STAN specification that established a maximum total sulfur content of 0.3%v/v.

Also in 2012, Repsol completed the implementation of major investments in the Cartagena and Petronor refineries. These projects have achieved a high conversion rate, positioning the refineries as some of Europe's most efficient. Environmental improvement and care was a priority within those projects, including the following actions:

- Efficient management of the use of resources.

- Achievement of optimal sulfur recovery from the plants and minimization of the quantities of sulfur emitted into the atmosphere (99.5% compared to the standard 98.5%).
- Improved energy management in the facility and a reduction in CO2 emissions
- A more optimal segregation of different products: Hydrocarbons, amines, accidentally oily water and oily water.
- Greater conversion of products, achieving higher quantities of light over heavier products.

### **Specifications in Peru**

The national specifications (NTP 321.004 1981) for motor gasoline fuels regulate volatility, distillation, product stability and the octane rating. As regards contaminants, the total sulfur should not exceed 0.2% mass, the benzene content is unregulated, and for heavy metals, the lead content should not exceed 0.013 g/l.

Our products are unleaded, and in compliance with the specified maximum value, as the use of octane enhancing antiknock compounds (TEL) throughout the country was banned at the start of 2005.

We also comply with the value set for sulfur. For the specific case of high-octane gasoline (98RON), levels of 0.005% mass are obtained.

With regard to diesel, there is a legal requirement to produce this fuel with 50 ppm sulfur content in accordance with DS 061-2009 EM. As the country lacks desulfuring facilities for these fuels, all of this type of diesel is imported. The 0.5% diesel produced in the refinery comfortably complies with the specification.

This regulation requires complex and high investment processing facilities, which requires a significant implementation period. For that reason, the authority altered the geographical scope of application, initiating the use of this type of diesel in the Lima-Callao Metropolitan area, and extending the use to virtually all of southern Peru from 16 July 2012.

The authority has been informed that in July 2016, Repsol will have a facility capable of desulfuring the diesel produced in the La Pampilla refinery. This investment of approximately 800 million dollars is considered to be the largest in the refinery's history, and was approved by the Repsol Board of Directors in September 2012.

Some of the main activities carried out in 2012 on this project are:

- Obtaining environmental and municipal permits to construct the new plants. This phase involves withdrawing five crude oil tanks from use and the construction of four new tanks.
- The awarding of contracts for tank construction and associated civil engineering works.
- Preparing tenders, proposal management and technical evaluation of the contracts for the diesel desulfurization and sulfur recovery plants, which are expected to be awarded during the first quarter of 2013.
- The awarding of the hydrogen supply, which entails the construction and operation of a plant inside the refinery.



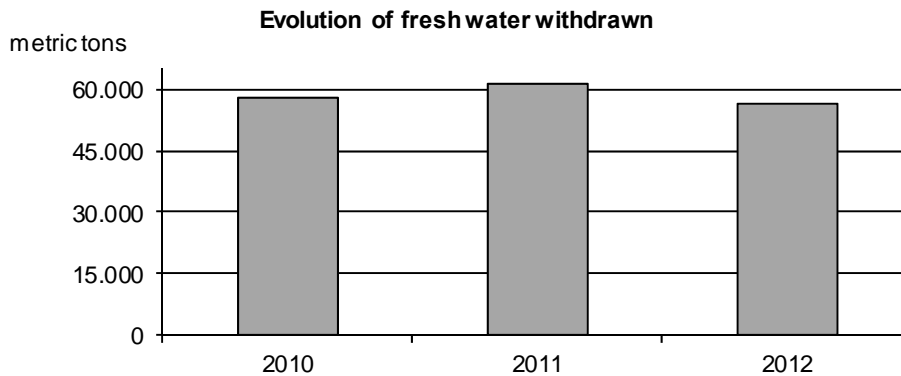
## Water management

Water is a natural resource with significant economic, social and environmental value, and is essential to ensure continuity of operations in our sector. So at Repsol we seek to use water sustainably, through design and operations in our facilities.

*During 2012 we identified our company's most critical sites in terms of water management and the related risks from the surrounding environment.*

Our use of fresh water is most intensive in our refining and chemicals activities. During 2012, we withdrew 56,243 metric kilotons of fresh water, a slightly lower quantity than in 2011. Our main fresh water sources are the public network (79%), surface resources (17%), and to a lesser extent underground aquifers (4%). The normalized withdrawal of water for refining activities was 0.91 metric tons of water per processed ton<sup>53</sup>.

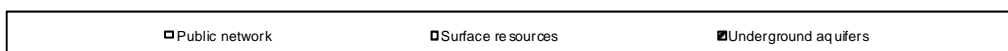
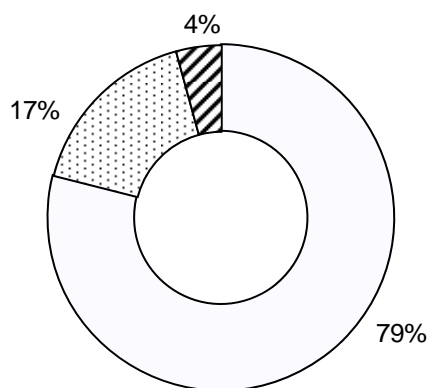
Also, thanks to our ongoing efforts to ensure the responsible use of resources, we reused 8,375 metric kilotons of water, 14% of the total water withdrawn, which is a 20% increase over the previous year.



	2010	2011	2012
<b>Fresh water withdrawn (metric kilotons)</b>	58,017	61,156	56,243

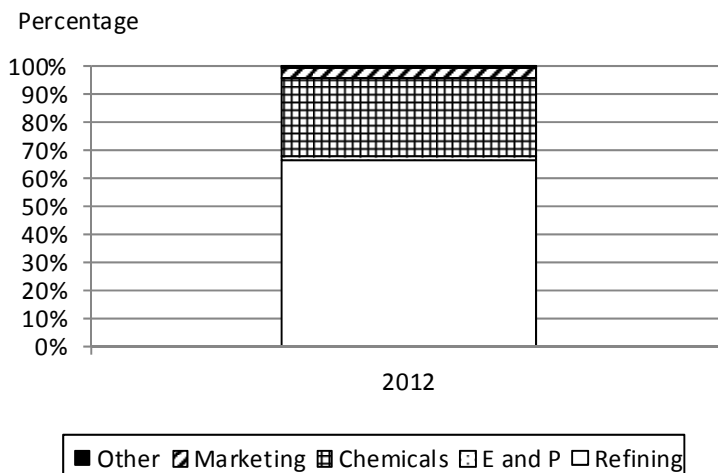
<sup>53</sup> The total processed is a combination of processed crude and other refinery intake.

### Origin of fresh water withdrawn



% Fresh water per source	2012
The public network	79
Surface resources	17
Underground aquifers	4
Total	100

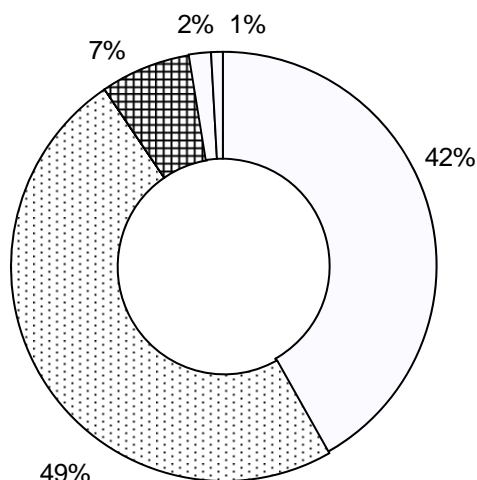
### Fresh water withdrawn, by activity



% Activity	metric tons	%
Refining	37121	66
E&P	1002	2
Chemicals	15497	28
Marketing	2293	4
Others	330	1
<b>Total</b>	<b>56243</b>	<b>100</b>

In 2012 a total of 38,925 metric kilotons of water were discharged from our facilities into the environment. The fluid effluents from our facilities are subjected to purification processes to minimize their environmental impact and ensure compliance with legal requirements. The type of wastewater treatment process is specific to the activity and the characteristics of the site. It could be a primary process, or may be completed with a biological process, or even a tertiary process. Of the water discharged from our facilities, 13% undergoes primary processing, 51% is also subjected to biological purification processes, and more advanced processes are applied to the remaining 36%.

## Destinations of discharged water



<input type="checkbox"/> Fresh water discharged to sea	<input type="checkbox"/> Fresh water discharged to surface
<input checked="" type="checkbox"/> Salt water discharged to sea	<input type="checkbox"/> Salt water discharged to surface
<input type="checkbox"/> Salt water discharged to external treatment	

Fresh water	
Sea / ocean discharge	42%
Discharge into other surface water bodies	49%
Non-fresh water	
Sea / ocean discharge	7%
Discharge into other surface water bodies	2%
Sent for external processing	1%

As part of our annual objectives, in 2012 we continued to establish programs for streamlining rational water use and preserving its quality. In addition, we have developed a methodology to analyze water management and the related environmental risks, which we have applied to our production operations in exploration and production, refining and chemical activities. This allows us to identify our most critical sites in terms of water (see the case study Water Management Map).

We have given consideration to the water sources used in our facilities that may be significantly affected by our water withdrawal. We have identified the sources for which our withdrawal represents over 5% of the available water volume, or have sensitive characteristics or are located in protected areas. We have concluded that eight surface resource sources and eight underground aquifer sources used by our sites could be significantly affected. However, these sites operate in a sustainable and responsible manner, and no impacts on water availability for the local communities that depend on the same sources are observed.

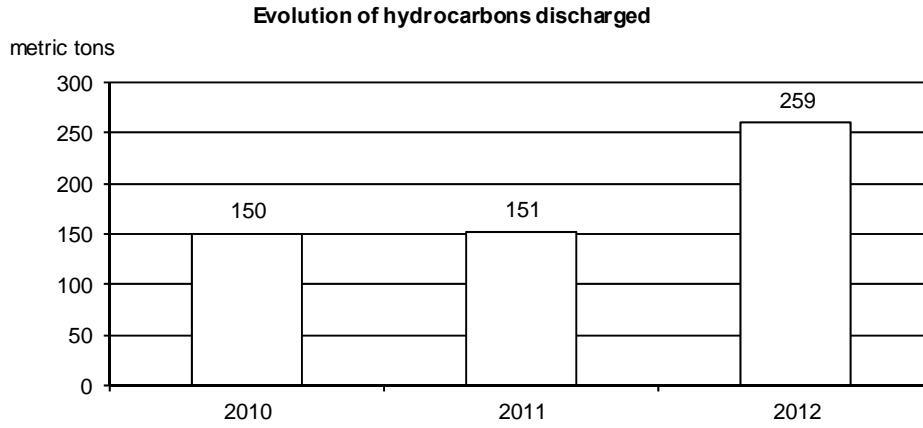
### Improving the quality of water discharge

We work to improve the quality of our liquid effluents using cutting edge technologies to process, control, characterize and separate the flows in order to minimize our discharges as well as the pollutant load.

The main contaminants discharged at our facilities are: hydrocarbons, suspended solids, and

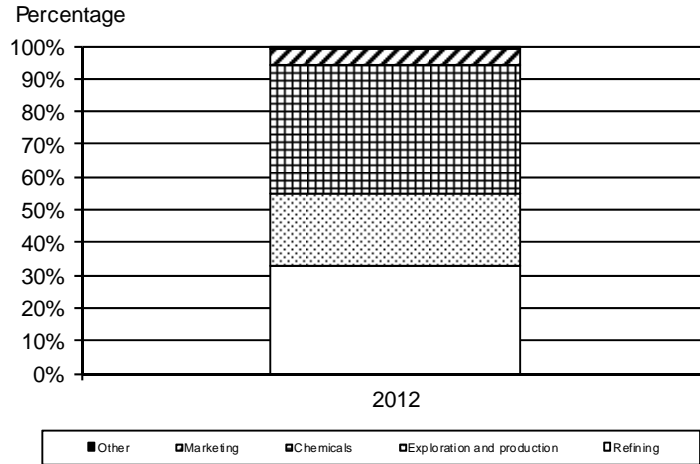
organic matter likely to undergo oxidation, measured as chemical oxygen demand (COD).

During 2012, the discharge of hydrocarbons increased due to temporary operational issues in our Sines chemical plant. However, the discharges stayed within legal limits and did not reach the environment. The flow is processed in a neighboring urban waste water purification plant. Suspended solids and chemical oxygen demand decreased mainly in exploration and production operations in Trinidad and Tobago.



metric tons	2010	2011	2012
Hydrocarbons	150	151	259

### Hydrocarbon discharge by activity



% Activity	metric tons	%
Refining	84	33
E&P	58	22
Chemicals	102	39
Marketing	13	5
Others	2	1
Total	259	100

### Water-related risks and opportunities

*We apply the most renowned international methodologies in our sector to identify water-related risks and opportunities*

We are aware that Repsol is exposed to different risks related to the use of water. We have made great efforts in recent years to analyze and participate in the development of the major guidelines and methodologies in our sector in order to identify and evaluate those risks.

Through our participation in IPIECA, the global oil and gas industry association for environmental and social issues, we have worked to adapt our sector to the Global Water Tool. This tool has helped us to identify the company's centers that are located in water scarcity regions.

We have also been involved in the development of the Local Water Tool, promoted by the Global Environmental Management Initiative (GEMI), which can provide a more detailed analysis of the risks associated with water shortages, water quality, new legal developments or possible cost increases, ecosystem characteristics, and interactions with stakeholders.

As outlined in the case study below, we use and will continue to use the best international methodologies to optimize our processes to identify and evaluate the water related risks and opportunities that may arise.



In 2011 we conducted a series of pilot studies to test the Local Water Tool methodology in an sites where our water use is most intensive: exploration and production operations in Block 16 (Ecuador) and refining and chemicals in Puertollano (Spain).

In 2012, we developed our own tool, taking into account the results of the study, our own company needs, the increasing demand for information by investors and other industry trends.

The tool evaluates the following aspects of water management performance and the threats from the environment that each site might find:

- Discharge quality parameters
- Water processing technologies
- The availability, quality and location of source ecosystems and bodies receiving the discharges
- Future water availability
- Current and future regulatory aspects
- Social aspects

Each of those aspects is evaluated and weighted according to a series of established criteria, which allows an assessment of the criticality of each site in terms of water use.

In 2012, we applied this methodology to our exploration and production, refining and chemical production facilities. We will prioritize our efforts in those sites that show the greatest opportunities for improvement based on the results received.

## Waste management

At Repsol we endeavor to minimize waste and to improve its processing throughout the life cycles of our activities. We take steps to improve internal waste management and develop programs to minimize waste at all stages of the process.

*During 2012 we earmarked 67% of our hazardous waste and 27% of our non-hazardous waste for reuse, valorization and recycling.*

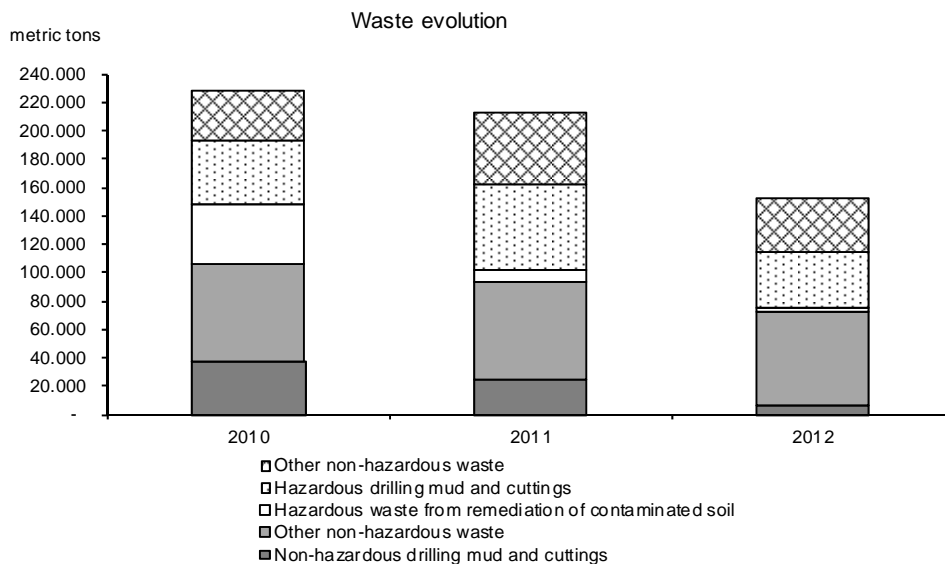
One of our key environmental aspects is the management of different types of waste from production activities. We apply continuous improvement criteria to waste reduction and management, such as striving to minimize waste as far as possible by optimizing resources and process-related improvements.

Waste produced in the company may come from productive activities, such as oily muds from cleaning tanks associated with long stoppages and maintenance operations, and from nonproductive activities, such as waste from remediating soil, drilling operations or from facility construction or dismantling operations. These types of activities produce large quantities of waste on a one-time basis, causing significant variations in the annual amounts we report.

To better understand the trends, we include information on hazardous waste from processing contaminated soil.

During 2012, the amount of hazardous waste treated decreased by 32% compared to 2011; this is mainly attributable to the completion of exploration operations in E&P Brazil. The treatment of non-hazardous waste also decreased by 24%, mainly in the Petronor and Tarragona refineries.

### Trends in hazardous<sup>54</sup> and non-hazardous waste

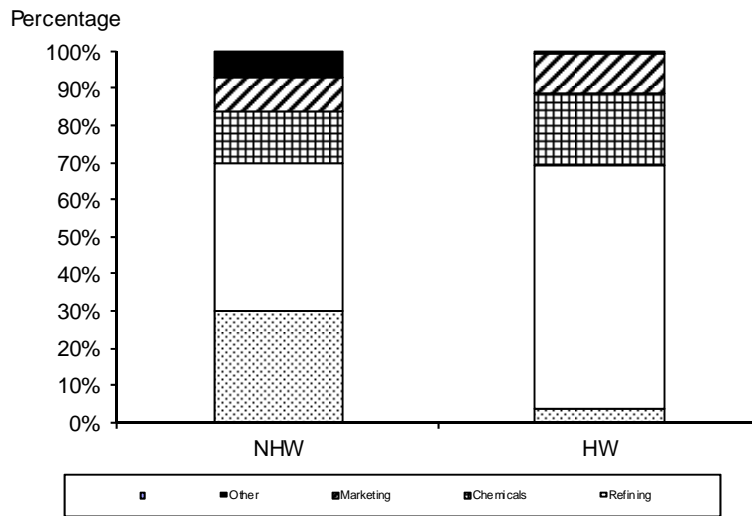


<sup>54</sup> Hazardous waste treated, including waste from polluted soil processing.



	2010	2011	2012
Non-hazardous drilling waste with water-based muds	37,644	23,923	6,949.4
Other non-hazardous waste	68,212	69,273	64,750.5
Hazardous waste from remediation of polluted soil	42,027	8,972	3,441
Hazardous drilling waste with non water-based muds	44,449	59,274	38,725
Other hazardous waste	35,916	50,488	38,797

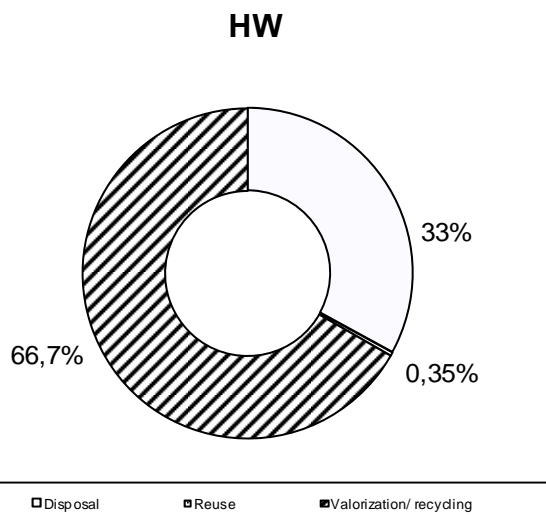
**Hazardous and non-hazardous waste by activity**



% Activity	Hazardous waste	Non-hazardous waste
Refining	66%	40%
E&P	3%	30%
Chemicals	19%	14%
Marketing	11%	9%
Others	1%	8%

In 2012 we earmarked 67% of the hazardous waste and 27% of the non-hazardous waste for reuse, and recycling.

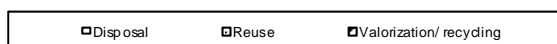
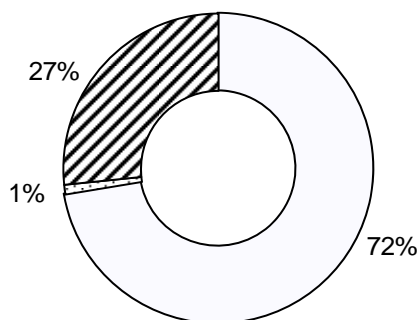
**Hazardous waste management in 2012**



Processed HW	2012	%
Elimination	26,681.0	66.7
Reuse	284.6	0.35
Valorization/ recycling	53,997.6	33

**Non-hazardous waste management in 2012**

**NHW**



Processed NHW	2012	%
Elimination	51,887	72
Reuse	732	1
Valorization/ recycling	19,081	27

We have taken steps to minimize waste generation and improve its treatment, such as hazardous waste minimization plans, which include various milestones and initiatives aimed at achieving that objective.

Our marketing area has also worked on different initiatives during 2012 to minimize wastes, to develop biodegradable oils in the Lubricant and Special Products unit, to reduce washing product packaging for service stations by providing a more concentrated product, and to reduce hazardous waste from accumulation tanks by improving cleaning procedures.

For more information on programs and other action regarding waste management visit [casosdeestudio.repsol.com](http://casosdeestudio.repsol.com)

## Prevention of spills

Repsol has a regulation for marine and fluvial spill management, which complies with our Policy for Health, Safety and Environment with regard to the prevention of impacts and minimize risks from our activities and facilities.

*During 2012 we continued to make significant efforts to improve our response to spills.*

During 2012 we recorded an increase in the amount of hydrocarbon spilled compared to the previous year, which was mainly due to three significant spills<sup>55</sup>. Two spills occurred during road transport in Peru and a third, in Tarragona, occurred in a pipeline, and was the largest spillage this year by volume. The steps we took after each spill were to clean and repair the affected area, by taking the actions prescribed in the corresponding contingency plans.

Although the amount of hydrocarbons spilled this year has increased compared to 2011, mainly due to the Tarragona spill, the number of hydrocarbon oil spills has decreased by 28%. Excluding this incident, hydrocarbon spills would have decreased by 82% compared to 2011.

### Significant spills

The most significant accidental spill during 2012 occurred in the Tarragona Industrial Complex due to a pinhole leak in an underground pipeline, which led to the loss of approximately 6,000 metric tons of naphtha. Currently, 5,300 metric tons have been recovered and the recovery efforts continue.

Once the incident was detected, a contingency plan was immediately activated to minimize the impact of the accidental spill by blocking the pipeline, and containing, confining and recovering the product.

We took a series of steps, in coordination with the relevant public authorities. We built containment trenches around the complex and installed hydraulic barriers to control the perimeter; we recovered the product using hydraulic pumps; and reprocessed the product in the refinery units. We will also undertake additional assessment of the current state of the pipeline network, as well as a project to increase even further the already important network of sensors to monitor liquid pressure in the area, which will increase the speed of detection of any incident of this type.

The second-largest accidental spill occurred in Arequipa, Peru, from an overturned oil tanker truck, which broke, causing a spill of approximately 31 metric tons of gasoline. The product reached a watercourse close to the road and affected a sensitive area, covering a total of 1500 m<sup>2</sup>. It has since been completely decontaminated.

We took measures after the incident, including implementing a process for an escort unit to travel ahead of tankers transporting hydrocarbons, which will identify risks along the transport routes so as to prevent possible accidents.

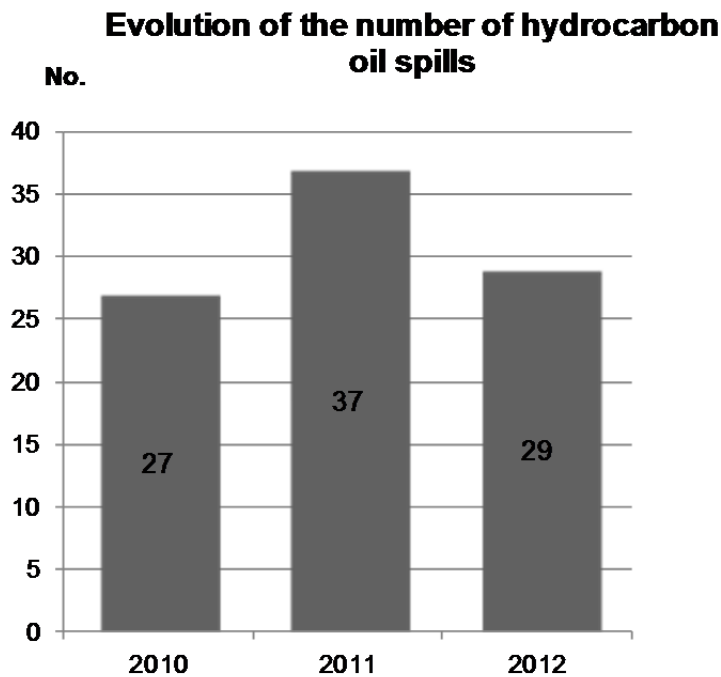
We have also taken bioremediation action on the affected soil. To conserve the characteristics of the land, the area was restored by replacing the soil removed for processing with soil of a similar nature.

The third and final significant accidental spill in 2012 also occurred in Peru, in Kinteroni, also due to an overturned tanker, but this time with a loss of kerosene. A total of 36 metric tons reached the soil and an underground aquifer. Cleaning actions were immediately begun in the accident area.

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<sup>55</sup> A spill is considered to be significant (based on the spillage volume and the sensitivity of the area) when it reaches the environment and fulfills any of the following conditions: it is greater than 100 bbls, it is greater than 10 bbls and occurs in a sensitive area, or any spill of a non-hydrocarbon substance, which is over 10 bbls and that has environmental significance due to its high salinity, acidity, toxicity or lack of biodegradability.

## Evolution of number of hydrocarbon spills<sup>56</sup>



	2010	2011	2012
Number of hydrocarbon oil spills > 1 bbl that reached the environment	27	37	29

### Protecting the marine environment

We have an internal regulation for spill management at sea and in rivers. Its purpose is to manage incidents in those environments caused by hydrocarbon and potentially hazardous and noxious substances, in compliance with our Health, Safety and Environmental policy. During 2012, we reviewed our internal regulation on safety during loading, carriage and unloading of goods by sea and /river.

We have also studied the usual practices of our business units (E&P, Refining and Marketing) to help us develop sensitivity maps, and update emergency plans. This work has been included in the company's lines of work for the future.

During 2012 we continued to implement the comprehensive plan of action in the maritime area of Tarragona. This plan is designed to help improve environmental protection, enhancing the quality and safety of company operations on the coast. It involves a total investment of €131 million through 2014. The main initiatives are to ensure the integrity and reliability of our key infrastructure Upstream (Casablanca platform) and Downstream facility (jetty and outer rack) on the coast of Tarragona.

<sup>56</sup> Spills greater than one barrel that affect the environment.

The scope of the plan at the Casablanca platform amounts to an estimated investment of €50 million, of which €30.5 million has already been spent, and focuses mainly on extending the life of the platform and implementing the best available technologies. We have completed inspection and tests on the existing facilities, extending the useful life of the platform for 10 years. Some of the improvements include pilot tests for early discharge detection and implementing other improvements recommended in the risk reduction study. Lastly, a benchmarking of the platform against best market standards has been undertaken, and we are currently making the investments necessary to bring it to the desired level.

We are also investing in the jetty and external rack installations, estimated at €81 million, of which €45 million has already been spent. This also aims at extending the reliability of the installations and technological improvements that will give us a facility with the highest safety standards on the market.

To this end, we have refurbished the rack pipelines, completed inspections of the pipelines on the jetty and carried out comprehensive maintenance of all the structural elements, among other actions. We have also made improvements on the rack to make the operation automatic and new safety systems have been introduced. Technological improvements are being incorporated into the jetty including the installation of stop remote systems and Repsol's own spill detection technology is currently being piloted. Lastly, we have incorporated mitigation actions in the event of spills and the loading arms are being replaced with more advanced technology.

Repsol also participates in the main industry forums on spill prevention, risk analysis and response preparation, both nationally and internationally. We participate in various working groups to adopt the lessons learned in the industry and adapt to the requirements of international bodies. We take part in Protecma (Platform for the Protection of Coastal and Marine Environments), MOIG (Mediterranean Oil Industry Group) and IPIECA (International Petroleum Industry Environmental Conservation Association). During 2012 in particular, we collaborated on the drafting of industry guidelines for marine spills, such as the IPIECA Responder Health and Safety Good Practice Guide and Draft Dispersant Use Guidelines, as well as Marine Strategy: Initial Assessment, Good Environmental Condition and Environmental Objectives, from the Ministry of Agriculture of Spain.

## Protection of biodiversity

At Repsol, we study the areas surrounding our facilities to conserve, and if appropriate, recover the natural environment. Repsol recognizes the strategic significance of biodiversity protection and we set principles that regulate our activities in this regard.

*We continue to make progress on our Biodiversity Action Plans (PABs).*

At Repsol we are aware of the importance of preserving the planet's biological wealth. We work to conserve biodiversity through carefully designed, principles-based action plans.

### Potential impacts on biodiversity

It is essential for us to recognize and address our most significant impacts on biodiversity, not simply by identifying them, but also by ascertaining their causes, intensity, time and geographic scope, so that we can take preventive and mitigating measures. In our exploration and production business, the whole life cycle of our operation – seismic, drilling, development, production and abandonment activities – can potentially have an impact on biodiversity. The main impacts may be direct, such as disturbance to wildlife, fragmentation or permanent changes to habitats, alterations to the countryside and the water table, or contamination of soils and water resources. Impacts may also be indirect, such as the opening up of access routes in remote areas, the accidental introduction of invasive species, or changes to the local socioeconomic structure. For further information on identified potential impacts on biodiversity, consult the section on biodiversity in [repsol.com](http://repsol.com).

### Operations in sensitive areas

To minimize our operational impacts on biodiversity, we have company regulations that establish general biodiversity guidelines for all operations. These require us to determine the sensitivity of the area of influence of our operations and to evaluate whether or not to proceed for each project, based on the sensitivity of the area, the severity of the possible impact, and the level of mitigation required.

We are also involved with the IPIECA (International Petroleum Industry Environmental Conservation Association) and OGP (International Association of Oil and Gas Producers) biodiversity working group. This working group aims to improve the management of impacts on biodiversity in the oil and gas sector. We also still form part of the Proteus project run by the United Nations Environmental Programme – World Conservation Monitoring Centre (UNEP-WCMC), which is working to develop better tools for managing and reporting all protected areas on a global level.

### Biodiversity Action Plans (BAP)

We operate in several oil fields located in sensitive areas of high ecological value, including areas designated as category I-IV by the World Conservation Union (IUCN). We are committed to progressively carry out Biodiversity Action Plans (BAP) in these areas. A list of operations in sensitive areas is available in the biodiversity section in [repsol.com](http://repsol.com).

In 2012, we made progress on the Biodiversity Action Plans (BAPs) in exploration and production operations located in Block 57 (Kinteroni) in Peru, in Block 16 and Tivacuno in Ecuador, and in offshore activities in Trinidad and Tobago. A Plan has also been initiated for our Margarita operations in Bolivia.

### Our progress in Biodiversity action plans

- **Kinteroni in Peru (Block 57):** In keeping with our 2010 agreement with the Smithsonian Institution (SI) to implement the BAP Program of Evaluation, Monitoring and Conservation of Biodiversity (PEMCOB), we installed 13 canopy bridges, along with 81 camera traps as part of studies to evaluate the primate populations around the gas pipeline prior to construction. The early results document primates and other mammals. We have also continued a project to map natural habitats in the southwestern area of the block and other adjacent areas. Two habitats were evaluated, leading us to establish conservation priorities and promote the development of the block while preserving its unique nature. In addition, we held diagnostic workshops with local indigenous communities, which identified nine possible projects for action. Surveys and meetings have been conducted with the leaders of local communities, as well as a workshop to decide priority project proposals.
- **Yasuní in Ecuador (Blocks 16 and Tivacuno):** During 2012, we continued the biological monitoring program begun in 1994 with a new campaign to update the inventory of species and their state of conservation. We have also continued the Use of Natural Resources and Ecological Restoration project begun in 2011, under which a tree nursery has been established to produce native fruits and trees for reforestation, and plants used in handicrafts. A breeding center for native species of mammals has also been constructed, as well as another for native fishes for local consumption. We have provided training and knowledge transfer in the management of the experimental centers for the community, as well as a workshop on biological monitoring. We have also reforested a section of the facility access route.
- **Offshore activities in Trinidad and Tobago:** In 2012, we continued to collect and analyze environmental data to map the marine ecosystem. As part of this plan we signed a collaboration agreement with the University of the West Indies to study birdlife and mammals in the area. We also worked to raise awareness and promote knowledge of marine mammals, and contributed our knowledge and experience to IPIECA biodiversity case studies.

### Analysis of the marine ecosystem in Trinidad and Tobago

Repsol's concern for biodiversity protection is at the heart of the study we undertook in the Teak-Samaan-Poui block in Trinidad and Tobago. The block is located in an environment about which little information was previously known, so Repsol, which took responsibility for production in 2005, has been the driver behind an ambitious study of the surrounding environment, in collaboration with the University of the West Indies. The objective of the study is to learn about the physical and biological characteristics of the block, specifically mapping the marine habitat and the species present. The distinctive aspect of the map is that it will be continually updated and maintained during the complete life cycle of the block. To date, wildlife has been identified in the benthic zone (the lowest ecological level of a body of water), and current work involves analysis of the behavior of marine birds and mammals present in the zone. This study will later allow researchers to observe the differences between natural environmental variations and those caused by industrial activity.

In view of the study's interest to both industry and the company, IPIECA has included it in a collection of case studies being drafted to support the publishing of its guideline [Managing biodiversity impacts: 10 tips for success in the oil and gas industry](#).

### Other actions to protect biodiversity

We have taken steps to protect biodiversity beyond the Biodiversity Action Plans. We took several significant steps toward environmental management and biodiversity protection during construction of the Margarita gas production well in the Caipipendi mountain range, Bolivia:

- The establishment of camps in the highest points of the Caipipendi mountains was undertaken with conscious respect for the environment, in compliance with Repsol's



environmental policy. Once the temporary camps were removed, the land was restored and reforested

- After the laying of over 77km of pipelines, the affected access routes were restored and conditioned for later revegetation
- The installation of the pipeline, which required an underwater crossing of the Pilcomayo River, was undertaken outside of the fishing season, out of respect for one of the region's main economic activities
- The permanent camp, which accommodates around 100 people, was designed to avoid areas containing native plant species. In cases where it was not possible, plants were transplanted and recovered, and around ten trees over ten meters tall have adapted well to their new location. The green areas are watered with greywater from the camp, which is then processed in a new waste water treatment plant.

### **Protecting the environment during the abandonment of the Capachos block (Colombia)**

2012 saw the abandonment of the Capachos production field in Colombia. This well had been in production since 2000. In 2010, a change of strategy led us to abandon the field, and to hand it over to a partner company, ECOPETROL. As part of the termination agreement, it was agreed that Repsol would dismantle the existing facilities and pass the environmental permit and rights to ECOPETROL. Such total and comprehensive abandonment of an oil field is uncommon in Colombia, and our experience has become a model process.

- To support the abandonment and final restoration plan, Repsol produced an Environmental Impact Assessment that directed how we manage the related impacts, such as:
  - Land use changes
  - Deterioration of the countryside
  - Waste generation
  - Changing socioeconomic circumstances
- We identified the important considerations during the restoration process and specified the activities and procedures to ensure the field was left in a satisfactory condition after abandonment.
- We participated in a cooperative project with the municipal council to recondition a bridge after the harsh winter that devastated the country at the end of 2010 and early 2011. The condition of the bridge was in danger of cutting off a large majority of the communities in the Capachos project area – a population of approximately 2,288 people. The necessary reinforcements to the bridge were successfully concluded in March 2012.

We also maintain our commitment to supporting projects and organizations that promote biodiversity research, conservation, education and awareness.

More information on our biodiversity impacts, our operations in sensitive areas, partnerships and collaborative projects for environmental protection at [participacionexternas.repsol.com](http://participacionexternas.repsol.com) and at [biodiversidad.repsol.com](http://biodiversidad.repsol.com)

## Promoting a low carbon strategy

One of the biggest challenges facing our society is to develop a sustainable model that ensures a sufficient and secure supply of energy. We need to improve security in energy supply, while achieving sustainable and competitive economic development, and improving the environment, by reducing emissions of greenhouse gases and other atmospheric contaminants.

*Repsol cannot ignore the challenge facing humanity. Our response is to define a carbon strategy that helps us take action to reduce the energy and carbon intensity from all our operations and locations worldwide.*

### Our data<sup>5758</sup>

When reporting performance indicators for energy and carbon, we follow industry guidelines drawn up by the American Petroleum Institute (API), the International Petroleum Industry Environmental Conservation Association (IPIECA) and the International Association of Oil & Gas Producers (OGP).

	2010	2011	2012
<b>Direct greenhouse gas emissions (Scope 1)<sup>59</sup></b>			
CO <sub>2</sub> (million of tons)	12.10	12.29	13.24
CH <sub>4</sub> (million of tons)	0.026	0.026	0.028
N <sub>2</sub> O (tons)	-	807	724
CO <sub>2</sub> e (million of tons) <sup>60</sup>	12.7	13.1	14.1
<b>Intensity of greenhouse gases emissions</b>			
Intensity of exploration and production emissions (metric tons of CO <sub>2</sub> e/Tons of oil equivalent) <sup>61</sup>	0.265	0.267	0.241
Intensity of refinery emissions (metric tons of CO <sub>2</sub> e/metric tons of	0.265	0.310	0.298

<sup>57</sup> For further information on the scope of the data in this chapter, see "Scope of the Report" in chapter "About this report"

<sup>58</sup> To improve comparability over time, data from previous years have been adjusted in line with changes in the company's asset structure, based on oil-industry reporting guidelines (API/IPIECA/OGP). In March 2012, the Government of Argentina expropriated Repsol's majority holding in YPF, as a result of which 2012 inventories and those of previous years have been adjusted, eliminating the data from expropriated facilities.

<sup>59</sup> For data on emissions from mobile sources, only those associated with the transport itself are included.

<sup>60</sup> Data from 2011 and 2012 include N<sub>2</sub>O emissions verified according to the ISO 14064 international standard.

<sup>61</sup> Data calculations based on CO<sub>2</sub>e from direct emissions and indirect CO<sub>2</sub> emissions associated with the purchasing of electricity and steam.

processed crude oil and other raw materials) <sup>62 63</sup>			
<b>Energy consumption</b>			
Fuel (millions of metric tons) <sup>64</sup>	3.64	3.63	3.75
Electricity purchased (10 <sup>6</sup> MWh)	1.57	1.21	1.77
Steam purchased (10 <sup>6</sup> GJ)	5.38	3.77	3.56
Total energy consumption (10 <sup>6</sup> GJ)	170.0	172.6	178.6
<b>Sales of biofuels (thousands of metric tons)</b>			
Biodiesel <sup>65 66</sup>	900	1040	1028
Bioethanol <sup>67</sup>	224	257	172

<b>Additional information on emissions (millions of metric tons)</b>	<b>2012</b>
Direct emissions of CO <sub>2</sub> e based on shareholding (Scope 1)	20.79
Indirect emissions of CO <sub>2</sub> associated with the purchase of electricity and steam (Scope 2)	0.81
Indirect emissions of CO <sub>2</sub> associated with the purchase of hydrogen (Scope 3)	0.76
Emissions of CO <sub>2</sub> derived from the marketing of products <sup>68</sup> (Scope 3)	117.04

*More information on accounting for and verification of our emissions at [reconocimientos.repsol.com](http://reconocimientos.repsol.com) and details of our results at [desempenoyobjetivos.com](http://desempenoyobjetivos.com)*

<sup>62</sup> Data calculated based on CO<sub>2</sub>e from direct emissions (the 2011 and 2012 data includes N<sub>2</sub>O emissions verified under the ISO 14064 international standard) and indirect CO<sub>2</sub> emissions associated with the purchase of electricity and steam.

<sup>63</sup> The criteria have changed for the calculation of the refining emissions indicator, and the total processed raw materials is now taken into account, and not just the processed crude.

<sup>64</sup> The 2012 data includes 1.13 million metric tons of natural gas consumed (0.92 and 0.85 million metric tons were included in 2011 and 2010 respectively).

<sup>65</sup> Includes data from Spain, Peru, Italy and Portugal. The 2010 data has been corrected for the sales of assets in Brazil.

<sup>66</sup> The total amount of biodiesel includes 263.640t of hydrogenated vegetable oil distributed in Spain, the rest of the amount traditional biodiesel (fatty acid methyl esters – FAME).

<sup>67</sup> Includes data from Spain and Peru.

<sup>68</sup> Data calculated based on API methodology (*American Petroleum Institute*): The Institute's Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Gas Industry 2009.

## **Advancements in international agreements**

During 2012, the Conference of the Parties (COP 18) was held in Doha and concluded with an extension of the Kyoto Protocol for a new period from 2013 to 2020. This follows directly from the previous global agreement, but the withdrawal of Canada, Russia, Japan and New Zealand has weakened its effect.

During the summit, several outstanding so-called Long-term Cooperative Action Working Group issues were finalized, focused on the commitment of several countries to provide support for the Green Fund within a framework of funding and work programs for climate change adaptation and mitigation.

A new Working Group was formed, the Doha Climate Gateway, with responsibility for defining the legal status of the future global agreement planned for 2015 and to come into force from 2020 onwards. Progress is expected in 2013, and world leaders will meet in 2015 with a view to achieving a draft agreement ready for signature in the COP that same year.

In this second period, it is possible to transfer any surplus carbon credits issued under the first period, with restrictions having been placed on the purchasing of credits from third countries. Several of the signatories (including the EU) have signed a declaration of policy not to buy surplus credits from other countries, which means demand will be practically nonexistent. A review of targets will also be imposed in 2014, which is expected to be significant.

No major decisions were made about the Clean Development Mechanism (CDM) in Doha, leaving it open to possible reforms next year.

## Carbon strategy

We continued working on our carbon strategy throughout 2012. This brings together all the Company's existing initiatives to reduce energy and carbon intensity in all of our businesses, identifying synergies between these initiatives.

The drivers of Repsol's carbon strategy are:

### 1. Commitment to society and the environment

We share with governments, citizens and society the challenge of combating the potential effects of human activities on climate. Our work has been recognized by the Dow Jones Sustainability Index, Repsol has taken first place in the **Oil&Gas** sector league table for the second year running. Our commitment to society is based on the principles described in our Position on Climate Change.

We will continue to collaborate with the governments in our countries of operation to facilitate compliance with national and international commitments, particularly during the new post-Kyoto period and we provide constructive support for the development of new regulations.

*More information at [politica.cambio.climatico.repsol.com](http://politica.cambio.climatico.repsol.com)*

### 2. Reducing energy intensity in our value chain

Our strategy is to promote initiatives that reduce energy intensity, and in turn, greenhouse gas emissions (GHG), throughout the life cycle of our products.

We know that improvement is not possible without reliable measurement, and so we aim for excellence in our GHG inventories, working to continually extend the scope of our emissions inventories and to improve their quality and transparency.

Repsol manages the GHG emissions of our own facilities and activities, and we also develop ambitious carbon intensity reduction programs for those activities. Much of our production-related emissions come from our supply chain activities, as well as from our customers' use of our products. For that reason, a range of actions are being undertaken to include these indirect emissions, known as Scope 2 and 3 emissions, as part of the Company's carbon footprint.

We include Scope 2 electricity and steam emissions that we are responsible for but do not generate. We are also working to include other Scope 3 indirect emissions in our Company's footprint, which are not under our control, but are directly related to our activities, such as emissions derived from the production of our main raw materials and their transportation to our facilities, generated waste, business trips and employee travel, and the transportation of our products to our customers' facilities.

We are also considering the emissions derived from the use of our products. Although we are not responsible for their control, these emissions represent a high percentage of our products' footprint, as is the case with gasoline and diesel, in which the vehicle engine use phase accounts for over 80% of the total footprint. To this end, we are working to calculate the footprint of our main products.

To improve the quality of our inventories and ensure their quality and accuracy, we have been verifying our under the ISO 14064 standard for greenhouse gas emissions since 2007, as well as the ISAE 3000 assurance standard.

Repsol has also taken decisive steps to improve process energy efficiency, as the short-term measure with greatest potential to reduce energy consumption and GHG emissions. To do this, Repsol has committed to a medium-term energy intensity reduction target along with annual programs for the Business Units.

### 3. Developing non-fossil energy initiatives

We continue to develop non-fossil energies through the New Energies Business Unit, which identifies business opportunities in fields such as bioenergy, renewable electricity generation, or transport electrification.

### Repsol and the Carbon Disclosure Project<sup>69</sup>

Repsol is the leading oil and gas company in 2012 for carbon management, according to the Climate Disclosure Leadership Index (CDLI), comprising the top 50 international companies in communication and transparency on climate change.

Reflecting our commitment to environmental communication and transparency, Repsol has been listed on this index three times in five years, and we are the oil and gas company that has featured most on the CDLI since 2006. The CDLI is drafted on an annual basis from results of the Carbon Disclosure Project (CDP) questionnaire, which covers companies on the FTSE Global Equity Index Series (Global 500). Repsol has participated in this questionnaire since 2006, thanks to the collaboration of over 50 people from all the business units.

Our responses to the annual CDP questionnaire can be viewed at: <https://www.cdproject.net>. This questionnaire covers detail of the company's carbon strategy in terms of:

- Progress towards our emission reduction objectives
- Emission reduction initiatives in the study phase and those already implemented: type and description of the activity, annual GHG emissions prevented, monetary savings, investment required and repayment period
- Methods used to promote our investments in carbon emission reduction-related activities.
- Risks and opportunities presented by climate change (regulatory, physical and other developments).
- Scope 1 and 2 emissions, including a breakdown by country, business and facilities, and indicators of emissions intensity.
- Scope 3 emissions.
- External verifications of Scope 1, 2 and 3 emissions

The information contained in this report, on our corporate website, and in our CDP submission constitutes the Repsol disclosure on climate change.

Repsol's actions in energy and carbon management have successfully negotiated a rigorous analytical process, which covers our carbon strategy, our management of climate change-related risks and opportunities, our investment in new technologies for emission reductions and improvement in energy efficiency, as well as our GHG emissions inventory and proposed reduction targets.

The CDLI recognition again reflects Repsol's commitment to environmental protection, alongside our top global oil and gas company ranking by the prestigious Dow Jones Sustainability Index, in which we received a maximum score for our climate change strategy.

*More information on sustainability ratings at [indices.repsol.com](http://indices.repsol.com)*

<sup>69</sup> The information available from the response to the CDP 2012 questionnaire corresponds to data from 2011 and previous years.

## Carbon markets

At the start of the new post-Kyoto period (2013-2020), the EU emissions trading scheme market is facing major changes including the introduction of a new auction model, to replace the previous system involving free allocation of emissions credits.

Repsol is working along with the rest of the sector on the possible measures that the European Union may apply to stabilize the current surplus of emission rights in the EU emissions trading scheme (ETS) market, in the wake of the economic recession. The European Union is weighing up short-term measures, principally backloading. This refers to the possibility of delaying the sale of rights by auction from the start to the end of the period, as well as long term measures such as the definitive withdrawal of emission rights, or the application of an intersectoral correction factor that progressively reduces the number of rights available throughout the period.

Repsol has purchased credits over recent years for Clean Development Mechanism (CDM) and Joint Implementation (JI) projects – provisions of the Kyoto Protocol under which developing countries are given assistance in development in ways that help offset carbon emissions elsewhere in the world. Some of these credits were purchased in 2012.

### **Fuel switching in Peru leads to carbon reduction**

We actively support the Clean Development Mechanism (CDM), a tool included in the Kyoto protocol that allows companies to develop projects to reduce greenhouse gas emissions, thus favoring sustainable development and the implementation of clean technologies in developing countries. Under the auspices of the CDM, we have developed a new methodology, AM0055 “Baseline and Monitoring Methodology to account for the recovery and utilization of waste gas in refinery facilities” and updated on another called, AMS-III.B “Switching fossil fuels”, to facilitate the application of very small-scale projects. There are currently nine CDM projects worldwide that have used these two methodologies we developed under application to the United Nations.

A program of activities, promoted by Repsol through our LPG business unit, was registered in February 2013. This program consists of switching from a carbon-intensive fuel such as residual fuel oil to cleaner fuel such as LPG in small and medium-sized industries in Peru. This brings our customers a reduction in their CO<sub>2</sub> emissions. This initiative, the first of its kind, will aid the transition to an energy mix with lower CO<sub>2</sub> emissions in Peru's industrial sector, as well as helping to transfer technology and improve production processes. The emission reductions achieved will be reviewed in the next few years by an external entity generating carbon credits called CER (Certified Emissions Reductions). Through this program, Repsol underscores our commitment to reduce carbon intensity throughout the production process, including the activities of our suppliers and customers, while also supplying quality and cost-efficient fuels.

This program is Repsol's third to be approved as a CDM by the United Nations.

## Reducing carbon intensity in our value chain

Repsol is constantly working on a range of measures, to reduce energy and carbon intensity in all our operations through emission reduction opportunities and a commitment to energy efficiency.

### Energy management

Repsol has committed to work to improve the energy efficiency of our facilities. This involves making better use of smaller amounts of energy to produce the same service or product, and is essential to a more sustainable energy model that reduces CO<sub>2</sub> emissions. Energy efficiency is therefore one of Repsol's main channels for reducing our emissions and streamlining operations in our plants and activities.

To achieve this, we have worked to implement a global Energy Management System (EMS) for the company, which has four main elements:

1. Medium-term objective

Repsol's business units each establish internal annual and medium-term objectives to reduce energy intensity as part of their annual efficiency plans.

2. Annual energy efficiency and CO<sub>2</sub> reduction plans

All our business units carry out detailed energy efficiency programs that identify steps to improve our energy performance. These programs also include action plans with objectives and defined improvements. In 2012, over 175 efficiency actions were taken in our facilities and activities.

3. Certification under the ISO 50001 international standard

Repsol uses benchmark international standards to systematically standardize and implement necessary systems. For energy efficiency, we use the ISO 50001 standard. The Puertollano Refinery achieved ISO 50001 certification of its EMS in 2012, and became Repsol's second refinery to do so, following A Coruña – the world's first to achieve this certification – in 2011.

The certification process in the Puertollano Refinery involved participation from all departments throughout the complex, and also improved its competitiveness, while standardizing and optimizing the facility's EMS. As such, we achieved one of our energy saving and efficiency goals, set a year ago. The EMS reduces energy consumption by streamlining all energy management activities into a cycle of continuous improvement. We developed tools to identify, analyze and implement savings opportunities, and efficiently monitor energy consumption and related processes or activities. The deployment of the system down to the smallest detail was only possible thanks to the commitment and responsibility of all the people involved in the refinery activities.

The ISO 50001 certification awarded to the Puertollano Industrial Complex was signed off by Lloyd's Register Quality Assurance (LRQA), and meets the requirements of the European regulation as an energy management standard. This supports the establishment of systems and processes to improve energy efficiency, reducing costs and GHG emissions through systematic management. The same implementation model is being followed in the chemical plant with the aim of achieving certification during 2013.

4. Conducting energy studies and audits to highlight opportunities to reduce our consumption and emissions

During 2012 Repsol continued to conduct energy studies and audits in the different company units to find savings and opportunities to lower our consumption. We conducted internal audits on four industrial refining centers, as well as two inter-center audits of the Cartagena and Tarragona industrial centers, eight audits in Chemical industrial centers, one audit of refining activities in Peru, and seven audits in different



LPG units worldwide. More than 600 audits have been carried out in over 500 service stations in Spain.

There are dedicated lines of work in the Repsol Technology Center to find opportunities for improvement in the business units, which aim at optimizing our processes as well as identifying technologies and investments with significant potential for reducing CO<sub>2</sub> emissions. Methodologies are developed that aid energy management in refineries and chemical centers, systematically detecting potential energy savings in the processing plants. These tools allow us to rank potential savings and prioritize the allocation of resources for improvement actions.

In 2012, the Repsol Technology Center and the Puertollano Industrial Complex completed the CO<sub>2</sub>FUNNELS project that investigated commercial applications of CO<sub>2</sub> by converting the gas into biomass for use in energy generation. During the two years of the project, we undertook innovative research work into the interaction of biomass, CO<sub>2</sub> and the environment, and successfully met the program's objectives.

At the European level, we contributed to the development of a roadmap for the European Framework Program Horizon 2020. This program provides funding for research into energy efficiency and resources, including issues such as CO<sub>2</sub> capture and conversion. In 2012, the Technology department initiated and collaborated in the creation of SPIRE (Sustainable Process Industry through Resource and Energy Efficiency), a public-private association involving the chemicals, cement, steel, engineering, minerals and water sectors, among others.

## Carbon management

### Excellence in emission inventories

We know how important it is to set quantifiable and verifiable GHG reduction objectives. To ensure accuracy and transparency, our inventories are measured and verified along with their reduction actions, and only those that comply with the strictest international standards (ISO 14064 and United Nations CDM methodologies) are counted. These standards are an extra step we take for transparency.

During 2012, Repsol extended the verification scope of its CO<sub>2</sub>e inventory according to the ISO 14064 international standard to include new E&P business facilities, including the new CPF gas processing plant in the Margarita field in Bolivia.

Over 90% for Repsol's direct tCO<sub>2</sub>e emissions inventory is certified under this standard.]

As we work to extend the scope of the inventory and emission reduction actions to all our activities, 2012 we have for the first time instituted inventory verification and energy efficiency actions at a non-industrial facility, Tres Cantos, where our main data processing center is located. These centers provide and manage the information technology services we use, which requires significant electricity for the devices and cooling.

### Our emission reduction objective

The annual reduction target for 2012, approved by the Executive Committee, was 164,516 metric tons of tCO<sub>2</sub>e. Thanks to focused actions verified according to the ISO 14064 standard, we exceeded the target, achieving a reduction of 442,843 t of CO<sub>2</sub>e:

Business unit	Facility	Number of actions	Type of actions	REDUCED EMISSIONS (tCO <sub>2</sub> e)
Refining Spain	A Coruña Refinery (Spain)	7	Optimization of hot load feed to units, optimization of unit designs, operative improvements, fuel substitution	57,199
Refining Spain	Puertollano Refinery (Spain)	4	Thermal integration of process streams, modifications to ovens,	32,937

			reduction in preflash column pressure in the crude unit, fuel substitution	
Refining Spain	Cartagena Refinery (Spain)	5	Improvement in energy efficiency, improvements in heat exchanger train insulation, optimization of unit design parameters, fuel substitution	113,019
Refining Spain	Tarragona Refinery (Spain)	7	Reduction in flaring, heat recovery through exchangers, increase in load flow temperature, modification of the diameter of exchange train lines in the crude unit, use of a heater to preheat demineralized water, modifications to the fuel oil network and burners, fuel substitution	96,207
Refining Spain	Bilbao - Petronor Refinery (Spain)	6	Unit energy integration, technological updating of equipment, optimization of equipment processes and functions, fuel substitution	122,447
Chemicals EURM	Sines Chemical Complex (Portugal)	2	Reduction in flaring, new exchanger to preheat naphtha in the ovens, partial replacement of oven convection	15,917
Refining Peru	La Pampilla Refinery (Peru)	3	Reduction in flaring, emission reduction in boilers, reduction in steam consumption.	5,117

The annual reduction targets for greenhouse gases are established in accordance with the **2005-2013 strategic objective** set as 2.5 million tCO<sub>2</sub>e.

#### **Repsol achieves its strategic GHG emission reduction objective<sup>70</sup>**

Repsol achieved a total reduction of 2,677,962 tCO<sub>2</sub>e from 2006-2012. This means we surpassed our **strategic objective** one year ahead of schedule. This achievement is the result of our entire organization's commitment to improve energy efficiency and reduce GHG emissions.

Repsol has spent several decades working to improve energy efficiency, and first set a global strategic objective in 2005 to reduce one million tCO<sub>2</sub>e during the 2005-2012 period, compared with a 'business as usual' scenario<sup>71</sup>. We achieved an accumulated reduction of 1,022,929 tCO<sub>2</sub>e between 2005 and 2007. In light of these results, the Executive Committee renewed their commitment in 2008 and reset the objective with the aim of continual progress through ambitious targets that drive the entire organization's commitment to emission reductions.

The new objective was set at 2.5 million tCO<sub>2</sub>e for the 2005-2013 period compared to business as usual. This objective covers all the company's activities and main countries of operation, from oil extraction through to the end product. To implement the strategic reduction objective, it was broken down into annual objectives that take account of the potential for reduction identified in the business units, through both energy efficiency projects and the use

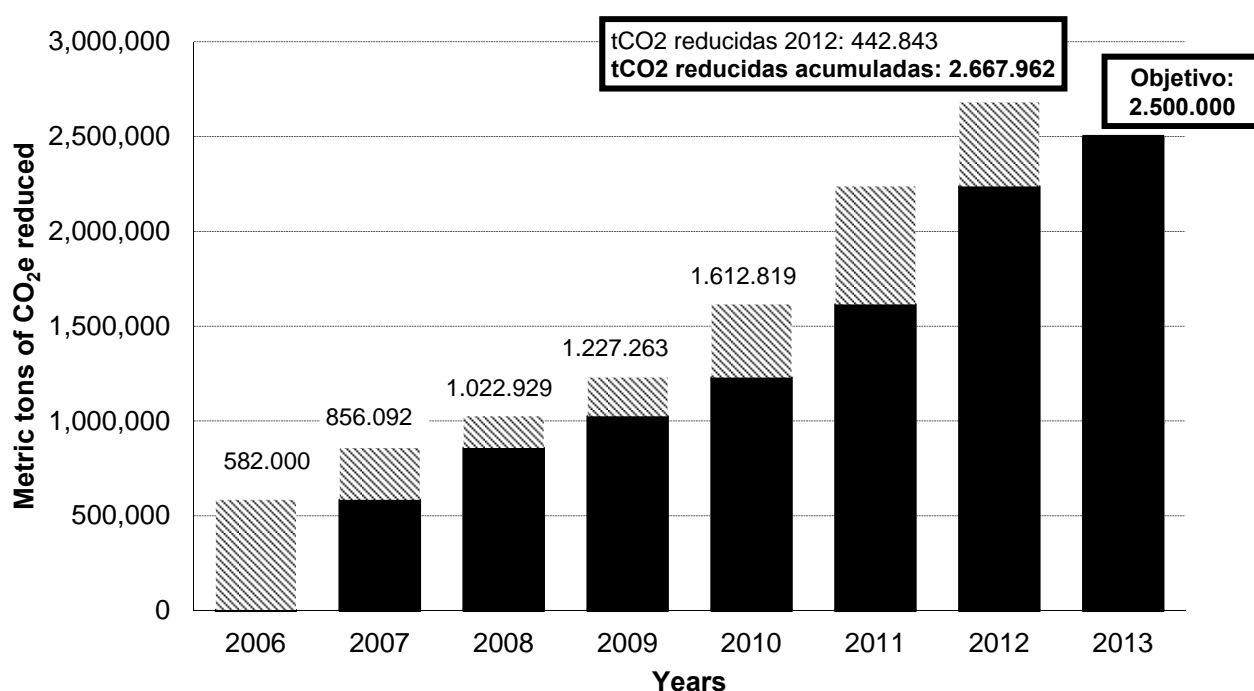
<sup>70</sup> The reductions achieved by YPF have been included for 2006-2011.

<sup>71</sup> The business as usual scenario represents the level of emissions if a reduction project hadn't been implemented.

of cleaner fuels. We successfully met this new target through many accumulated reductions up to 2012. The reduction in tCO<sub>2</sub>e comes from investments and operational improvements across all our operations, including improvements in energy efficiency through projects such as flared gas recovery, energy process integration, residual heat recovery and steam network optimization.

However, despite the success achieved, we continue to move forward in our commitment to reducing GHG emissions. To that end, we continue to set and meet ambitious targets that improve the company. The new strategic objective for 2013 is to develop a new long-term plan for the 2014-2020 period that includes both a reduction in energy intensity and emissions.

### Our strategic GHG emissions reduction objective



Million metric tons of CO <sub>2</sub> e reduced	2006	2007	2008	2009	2010	2011	2012	2013 Objective
Accumulated reduction	0.582	0.856	1.023	1.227	1.613	2.235	2.668	2.500
Annual reduction	0.582	0.274	0.167	0.204	0.386	0.622	0.443	

### Emissions offsets

Our carbon strategy also includes offsetting the carbon footprint of our activities and events. Once we have measured our carbon footprint and taken as many reduction measures as possible, we investigate offsetting the remaining emissions to make our activity carbon neutral.

Repsol has initiated different offsetting activities during 2012 to compensate for the climate impacts of particular activities alongside emission reduction projects. These include offsetting

the emissions from the shareholders' Annual Meeting in May 2012, and those generated by the Repsol team in the Road Racing World Championship Grand Prix (Moto GP and Moto2) during the 2012 season.

To be eligible for offsets, the carbon footprint of the event or activity first needs to be calculated. To do so, we calculated the emissions associated with the transport of people and materials to the event, stays in hotels, the functioning of the facility (mainly electricity consumption), and the generation, transport and processing of wastes, among others.

We used an independent entity to verify the data and calculations, under the requirements of the PAS 2050:2011 international standard for evaluating life cycle GHG emissions.

Lastly, we implemented the offsets for both events. This involves the voluntary purchase of a quantity of carbon credits for a project in a developing country proportional to the tCO<sub>2</sub>e emitted by the event. In the case of the shareholders' Annual Meeting 2012, the 115 tCO<sub>2</sub>e emitted were offset by a corresponding number of voluntary credits in the La Venta II wind project in Mexico. Repsol has participated in the funding of this project through their involvement in the Spanish Carbon Fund, which is administered by the World Bank, and enjoys the participation of the Spanish government and the top companies in our country.

#### **Offsetting our emissions in the Motorcycling World Championship**

We offset the emissions from the participation of the Repsol team at the 2012 Road Racing World Championship Grand Prix.

To calculate our carbon footprint, we included the GHG emissions from any source (direct or indirect) connected to the participation of the two Moto GP motorcycles (Dani Pedrosa and Casey Stoner) and the Moto2 motorcycle (Marc Márquez) in the 18 Grand Prix and the official training sessions prior to the start of the season. We received a favorable Statement of Verification from an independent organization, indicating that the calculations are correct.

Our company has offset 3,947 tCO<sub>2</sub>e through the voluntary purchase of carbon credits for emission reductions projects proportional to the emitted tCO<sub>2</sub>e – in this case, the Maguary ceramic fuel switching project in Brazil. Thanks to this project, wood obtained from the deforestation of the Caatinga Biome (an ecosystem under tremendous threat from abusive deforestation practices) and used as fuel in the ceramic brick industry was substituted with renewable biomass to power the plant. As well as emission reductions, the project provides significant social, environmental and economic benefits for neighboring communities.

Through this project, we successfully neutralized the impact on climate change associated with our participation in the Road Racing World Championship Grand Prix in 2012. This is one contribution to the fight against this global phenomenon, which also promotes development in the most disadvantaged areas.

#### **New channels for reducing emissions: Ecodesign**

We recognize the environmental protection requirements in all the links of our products' value chain. For that reason, we direct our efforts not only to reducing the energy intensity of our production processes and facilities, but also to the design of products that reduce the greenhouse gas emissions when used. This reduces our customers' carbon footprint during the transformation or use of the products we market.

Our Repsol Technology Center undertakes research, development and innovation to improve and continually reduce carbon intensity throughout the value chain.

#### **Green asphalts**

The research strategy into asphalts is based on the development of eco-efficient processes and products, taking account of improvements not only during the manufacturing phase but also during their use. We aim at reducing CO<sub>2</sub>e emissions during road construction and road

recycling, through a reduction in the consumption of fuels and raw materials, and reducing the working temperature and the amount of smoke generated.

We have designed special asphalt-based emulsions for use in the total recycling of road pavements at low temperatures. This is one of the most sustainable options in the road industry, with cumulative advantages through lower consumption of natural resources and energy to produce new road pavements, as it can be used at lower temperatures. Accordingly, it has been used on a section of the Arlanzón highway, with a solution that allows the use of very high percentages of recycled materials and low temperature technology, with high mechanical and functional specifications. This alternative could set a new trend in road pavement recycling.

## **Fuels**

We systematically study the future energy needs of industry and society, to learn how new technologies may be of benefit. In the field of engines and energy for transport, technology prospecting is the starting point for developing new products and adapting existing products, in order to evolve, hand-in-hand with the automobile industry, towards sustainable transport. During 2012, we carried out a review of technology prospecting survey in this area, covering the latest trends both in conventional heat engines and electric propulsion.

## **Lubricants**

High energy efficient lubricating oils: Reducing fuel consumption in alternative internal combustion engines, and consequent reduction in CO<sub>2</sub>e emissions to the atmosphere, is a priority issue today.

Repsol has been developing low viscosity lubricating oils (type SAE 5W-30) that limit mechanical losses, and which are formulated using the latest generation technologies. This can deliver appreciable fuel savings for end customers, and fewer GHG emissions.

Repsol has developed high energy efficiency lubricants, and piloted a test on a fleet of EMT buses in Valencia in 2012. The pilot demonstrated that the use of these types of products can reduce fuel consumption, without negative effects on the useful life of the engine and its maintenance.

Biodegradable lubricating oils: Work continues in the search for new raw materials for the formulation of more environmentally friendly oils to reduce the use of mineral bases for primary manufacturing. We are also pursuing more efficient additive technologies to improve product characteristics at lower doses, as well as products that contribute to fuel savings, reducing CO<sub>2</sub>e emissions to the atmosphere.

### Group 3 Lubricant base oils

To further our research, development and innovation activities on lubricant base oils, construction began in 2012 on a new plant to generate Group 3 Lubricant base oils in Cartagena, which will be operated by SKSOL, a joint venture between the Korean company SKL and Repsol, which has a 30% stake.

The European Union, regulates combustion gas emissions to restrict the pollution produced by road vehicles, has introduced common demands for the emissions from motor vehicles and their specific spare parts. This has led to changes in lubricant formulations. The worldwide trend in reducing energy consumption and emissions is leading to a change in lubricant formulation, from the traditional mineral-based Group 1, to the new synthetic-based Group 3. These more hydrogenated bases allow engines to function optimally with minimum consumption at any temperature, reducing the engine fuel consumption and consequently, the emissions produced.

## Non-fossil energy initiatives

Repsol New Energies helps to position us as a global energy company committed to sustainable development through profitable new energy sources. There are three areas of action: bioenergy, renewable generation and energy ventures.

### Biofuels

The Repsol New Energy Business Unit and its subsidiary, Kuosol, have continued during 2012 to study comprehensive utilization of biomass from agricultural energy crops, with the aim of developing oil and ethanol production projects, and electricity through cogeneration.

Our investee company AlgaEnergy has been working on biomass production from micro-algae in their pilot plant located in Barajas Airport, a collaborative agreement with AENA and Iberia. AlgaEnergy has started working on a demonstration plant located in Arcos de la Frontera, alongside the Iberdrola combined cycle plant, from which it will extract the CO<sub>2</sub> that will be injected into the micro-algae to improve their growth. This plant forms part of a Life+ project funded by the European Commission. We are also implementing a pilot plant in our Tarragona industrial complex to scale up micro-algae cultivation processes that make use of the complex effluents, such as CO<sub>2</sub> emissions and waste waters as nutrients, which improves both the economic and environmental outcomes.

#### A bioprocess company: NEOL

Neol Biosolutions is a company that was founded in June 2012, as an equal joint venture between Repsol New Energies S.A. and the Bioindustrial division of Neuron Bio. Their facilities are in the Parque Tecnológico de la Salud in Granada, including the latest generation biotechnology equipment and a pilot plant to demonstrate their new technologies.

Neol is a company with a global outlook that combines the research qualification of Neuron Bio with the industrial experience that Repsol has worldwide. Neol also have a wide range of technological partners and knowledge centers, universities and industry associations. It is well positioned in the sector, and is a member of ASEBIO, which provides leadership in industrial biotechnology and on platforms like Suschem, BioPlat, among other.

Neol is a pioneering company, involved in bioprocesses and microbial technologies for industrial applications. For this purpose, Neol develops bioprocesses through the selection of the most appropriate naturally-sourced microorganisms to produce and improve products. Neol has developed a technological platform called Microbiotools for the comprehensive development of industrial bioprocesses from their exclusive collection of over 9000 microorganisms (bacteria, fungi, yeasts and micro-algae) isolated from extreme ecosystems.

Furthermore, in the energy sector, are particularly relevant their advanced biofuels (MicroBiOil ®) and in the chemical industry its bioplastics (TriBioPlast ®).

We manufacture advanced biofuels in our industrial complexes in the same way as hydrogenated vegetable oils (HVO), albeit coprocessed with crude oil. There are technical advantages to HVO over traditional biodiesel (fatty acid methyl esters – FAME), in that it can be added in larger proportions in commercial blends, and is completely compatible with any vehicle; it also complements FAME in meeting the objectives of incorporating renewable components in automotive fuels. Industrial trials were carried out in 2009 and 2010, with hydrobiodiesel achieving recognition as a biofuel by the government.

During 2012, we evaluated and characterized the oils used in the production of this biofuel, and also studied and analyzed the production process, identifying problems and looking for solutions to achieve continuous manufacture of hydrobiodiesel .

Through these activities, in 2012 Repsol co-processed 1000 tons of raw soya oil, and 17,000 tons of refined palm oil in the A Coruña and Cartagena refineries, producing 18 million liters of hydrobiodiesel – enough to circle the globe 25 times in a diesel vehicle.

Also in 2012 the European Renewable Energies Directive 2009/28/CE came into force, which requires biofuels to fulfill a series of sustainability criteria. Repsol was the first Spanish operator in 2012 to have certified all its refineries under the ISCC voluntary sustainability scheme, approved by the EC.

### **Transport electrification**

Repsol New Energies, via IBIL, works to promote electric mobility, aimed at combating climate change through emission free transport. To achieve that, they provide a comprehensive recharging service using 100% renewable energy, smart facilities and terminals, and a control center for the infrastructure.

IBIL is the first recharging operator for electric vehicles registered with the National Energy Commission that provides private recharging services (in residential and company garages), as well as public (in public car parks, park and ride, shopping centers, public roads and service stations).

IBIL has installed 339 recharging points (109 in 2011 and 230 in 2012) and has seven commercial offices in operation in Madrid, Barcelona, A Coruña, Valladolid, Seville, Palma de Mallorca and Bilbao. They have also installed the first recharging points in areas of high public traffic in 2012, as well as the first rapid recharging point in a CampsaRed service station in Vitoria.

Our electric mobility initiative has been selected as a Clima Project. These are projects promoted via FES-CO2 designed to transform the Spanish production system towards a low carbon model, and to achieve GHG emission reductions among sectors not subject to the European Emissions Trading Scheme. The Ministry for Agriculture, Food and the Environment seeks to promote these projects by purchasing their emission reductions to ensure their economic viability.

### **Renewable electricity generation**<sup>72</sup>

Repsol New Energies UK continues to develop three major offshore wind energy projects at Inch Cape, Moray Firth and Beatrice.

Repsol New Energies has a 51% share in the Inch Cape project through a joint venture with EDP Renewables. As an operator, we are leading the development of this project, and have reached consent agreements with the towns of Carnoustie, Anstruther, St Andrews and Leuchars. An agreement has also been signed for a connection to the grid. We have completed the environmental baseline studies, and the environmental statement has already been published.

Moray Offshore Renewables Ltd, the Scottish company with investment from EDPR (67%) and Repsol New Energies UK Ltd (33%), has presented a consent application for the development of a marine wind farm in the outer Moray Firth. The application to Marine Scotland covers three development areas: Telford, Stevenson and McColl, all in the outer Moray Firth, 22 km from the Caithness coast.

The proposed farm (including the three development areas) would have a total installed capacity of 1500 MW, generated by between 189 and 339 turbines, based on the capacity of the installed turbines and the number of phases included in the construction. The total area is estimated to cover 295 km<sup>2</sup>.

This milestone is the culmination of three years of development, engineering and exhaustive environmental studies, and a wide-ranging consultation process has collected all the information

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<sup>72</sup> Through the acquisition of shares, Repsol currently owns 334 MW of renewable electricity generation capacity corresponding to wind, small-scale hydro and co-generation from our shares in Gas Natural Fenosa, which produced 816 GWh of electrical energy in 2012.

required for the consent application. Also, the detailed engineering phase, the equipment and supply management plan and the development of the funding scheme have begun, in order to allow us to make a final decision on investment from 2016 onwards.

Repsol New Energies has a 25% stake in Project Beatrice through a joint venture with SSE Renewables. All the environmental and technical studies of pre-consent phase have been completed and the application was submitted in early 2012. The project has been granted Planning Permission in Principle by Moray Council's Planning and Regulatory Services Committee to connect the offshore wind farm to the electric grid.

In December 2012, Repsol New Energies UK sponsored the Public Initiative Award at the Scottish Green Energy Awards.

Through their subsidiary Orisol, in 2012 Repsol continued to promote, develop and operate wind and photovoltaic solar farms in both Europe and the United States.

Additionally, Repsol New Energies via Repsol New Energy Ventures, the unit specializing in corporate venture capital (CVC), has acquired an 18% stake in Tocardo International, a leading Dutch company in the manufacture of high technology turbines for electricity production in rivers, using their kinetic energy, or bridges, floodgates and dams.

The capital investment in Tocardo will mean Repsol can develop renewable generation projects using tidal and river flows.

In 2012, Repsol New Energy Ventures also acquired a 31% stake in WindPlus, the first company in the world able to design, install and operate the first floating semi-submerged structure for offshore wind generation. At present, the 2.0 MW Vestas turbine has generated over 3.5 GWh of electrical energy.

During 2012, out of 23 submitted projects, Windplus obtained NER 300 funding from the European Commission, to design, install and operate five floating platforms for five wind turbines, adding up to a total power of 27 MW.

### **Agreements with Spanish institutions**

In 2012 Repsol New Energies and Invierte Economía Sostenible signed a commitment for a joint investment of €21 million in sustainable initiatives<sup>73</sup>.

The Repsol initiative materialized in a co-investment contract between Repsol New Energy Ventures, S.A. and Invierte Economía Sostenible, S.C.R.

A commitment was established within the contract to undertake co-investments over the next five years in Spanish SMEs that develop innovative technological initiatives in the biotechnology, renewable generation, electric mobility, energy storage and energy efficiency sectors.

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<sup>73</sup> Repsol contributes €12 million to this commitment.



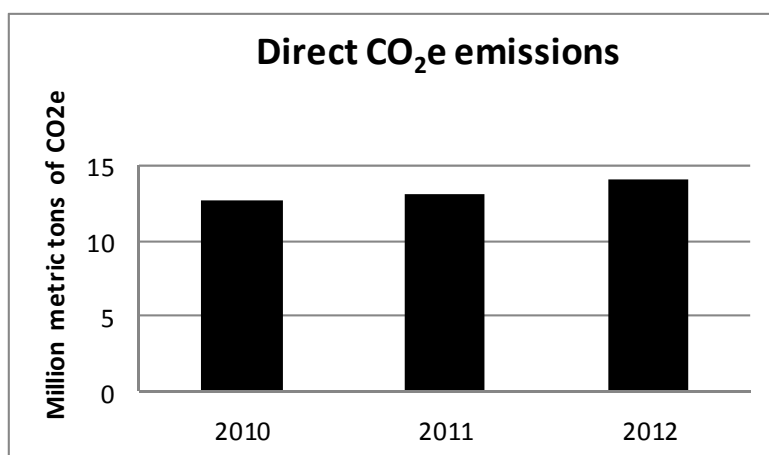
## Our results<sup>74 75</sup>

### Greenhouse gas emissions

Our direct emissions<sup>76</sup> of CO<sub>2</sub>e increased by 8% compared to 2011, mainly due to increased activity in refining operations in Spain through the expansions of the Cartagena and Petronor refineries, which have been in operation throughout the year.

There has also been a 10% increase in CH<sub>4</sub> emissions, mainly due to the implementation of the new gas processing plant in the Margarita field in Bolivia.

As in 2011, we included emissions of CH<sub>4</sub> from all our facilities in our direct CO<sub>2</sub>e emissions measurement, as well as the N<sub>2</sub>O emissions verified according to the ISO 14064 standard, which arise from the refining business.

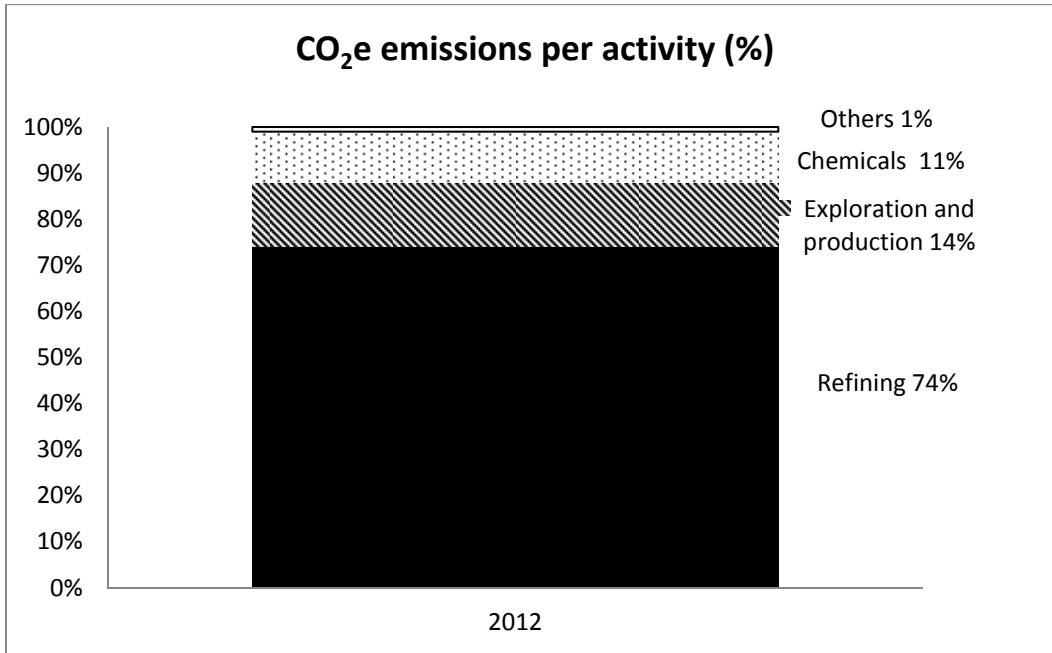


Direct CO <sub>2</sub> e emissions			
millions of metric tons	2010	2011	2012
Direct CO <sub>2</sub> e emissions	12.69	13.10	14.10

<sup>74</sup> For further information on the scope of the data in this chapter, see section “*Scope of the Report*” in chapter “*About this report*”

<sup>75</sup> To facilitate data comparison over time, the previous year’s data has been adjusted in line with changes in the company’s asset structure. For further information, see the section on Our Data.

<sup>76</sup> Data from 2011 and 2012 include N<sub>2</sub>O emissions verified according to the ISO 14064 international standard.



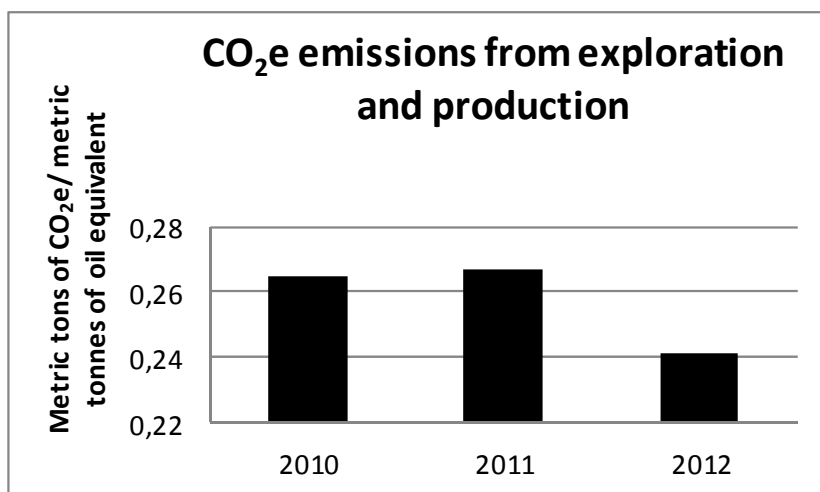
Direct CO <sub>2</sub> e emissions per activity	
% Activity	2012
Refining	74%
Exploration and production	14%
Chemicals	11%
Others	1%

The indirect emissions of greenhouse gases are a consequence of the company's activity, but come from sources that are owned or controlled by third parties. In 2012, these emissions were 0.81 million tCO<sub>2</sub>e from purchased electricity or steam and 0.76 million tCO<sub>2</sub>e from the manufacture and transport of hydrogen.

**Greenhouse gases emissions from our activities**

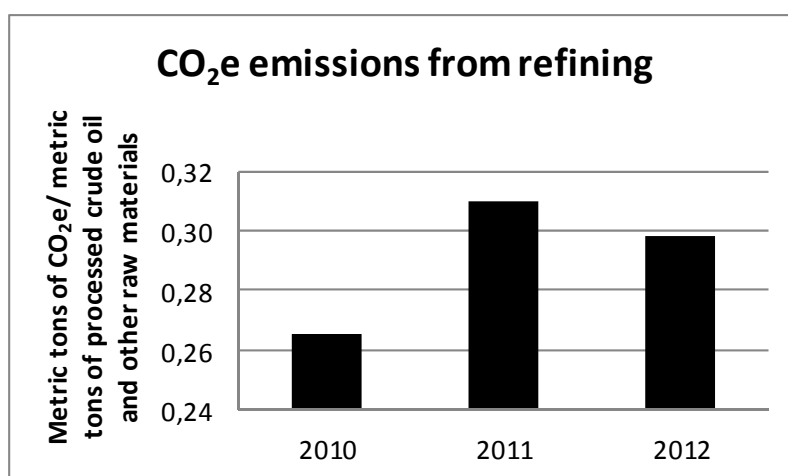
CO<sub>2</sub>e emissions from exploration and production<sup>77</sup>

<sup>77</sup>Data calculations based on CO<sub>2</sub>e from direct emissions and indirect CO<sub>2</sub> emissions associated with the purchasing of electricity and steam.



CO <sub>2</sub> e emissions from exploration and production			
	2010	2011	2012
Metric tons of CO <sub>2</sub> e/ metric tonnes of oil equivalent	0.265	0.267	0.241

CO<sub>2</sub>e emissions from refining<sup>78 79</sup>



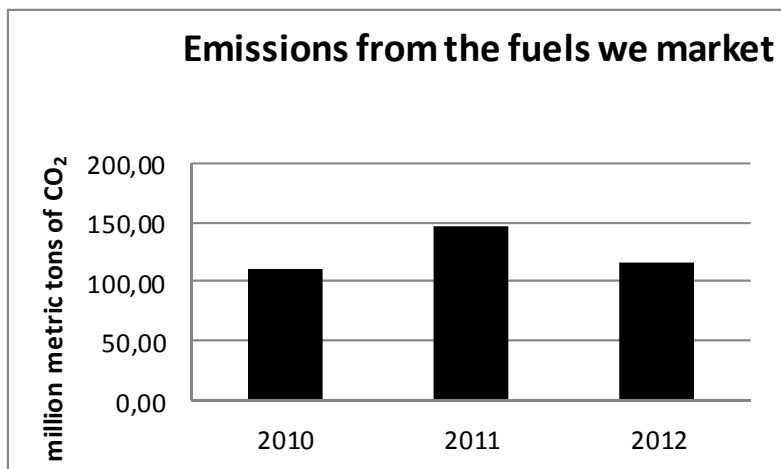
CO <sub>2</sub> e emissions from refining			
	2010	2011	2012
Metric tons of CO <sub>2</sub> e/ metric tons of processed crude oil and other raw materials	0.265	0.310	0.298

<sup>78</sup> Data calculated based on CO<sub>2</sub>e from direct emissions (the 2011 and 2012 data include N<sub>2</sub>O emissions verified under the ISO 14064 international standard) and the indirect CO<sub>2</sub> emissions associated with the purchase of electricity and steam.

<sup>79</sup> The criteria have changed for the calculation of the refining emissions indicator, and the total processed raw materials is now taken into account, and not just the processed crude.

### Emissions from the fuels we market

During 2012, emissions from our customers' use of the fuels we market increased to 117 million metric tons of CO<sub>2</sub><sup>80</sup>.



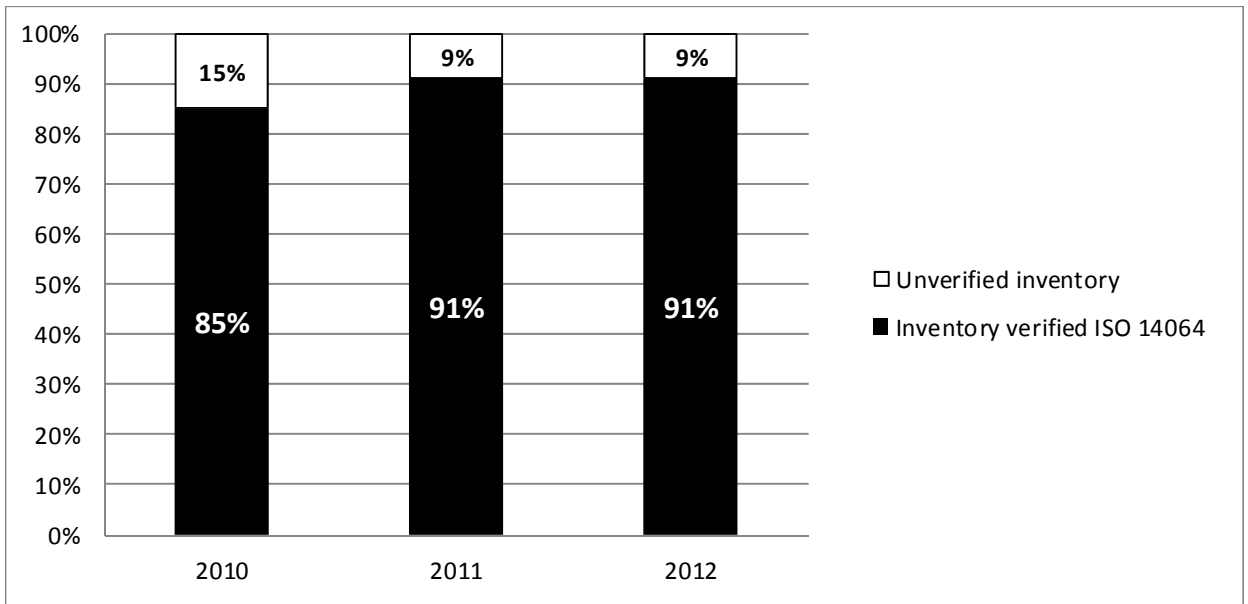
Emissions from the fuels we market			
	2010	2011	2012
million metric tons of CO <sub>2</sub>	111	146	117

### Trends in greenhouse gas inventory verification

We have continued working to improve the quality of our inventories of greenhouse gases, extending coverage to an increasing number of activities within Repsol.

Currently, over 90% of the company's direct emissions inventory has been verified according to the ISO 14064 international standard.

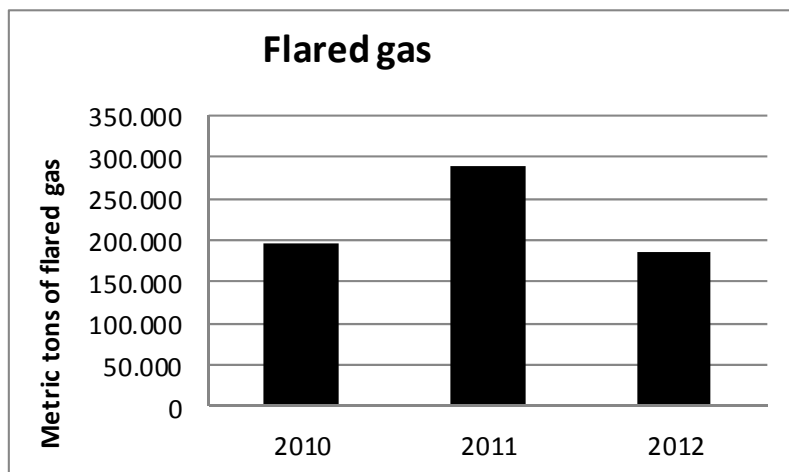
<sup>80</sup> Data calculated based on API methodology (*American Petroleum Institute*): The Institute's Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Gas Industry.



% Activity	2010	2011	2012
Unverified inventory	15%	9%	9%
Inventory ISO 14064 verified	85%	91%	91%

### Trends in flared gas

The company has made progress in our commitment to reduce CO<sub>2</sub>e emissions associated with flared gas, through projects that have prevented the burning of over 100,000 metric tons of waste gases through flaring.

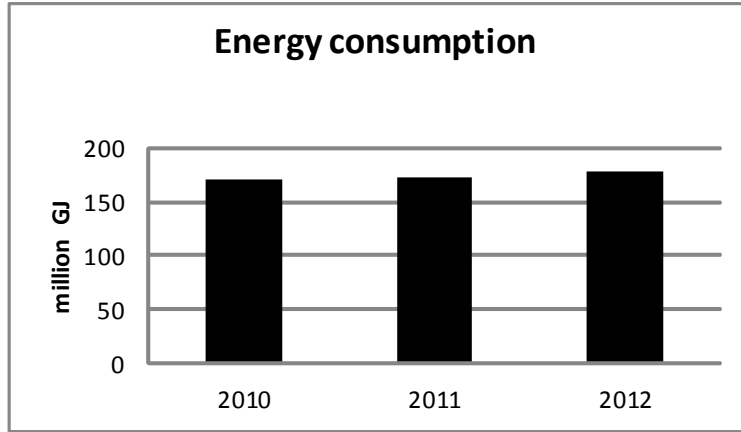


Evolution of flared gas			
metric tons	2010	2011	2012
Flared gas	195,881.02	288,788.90	184,382.10

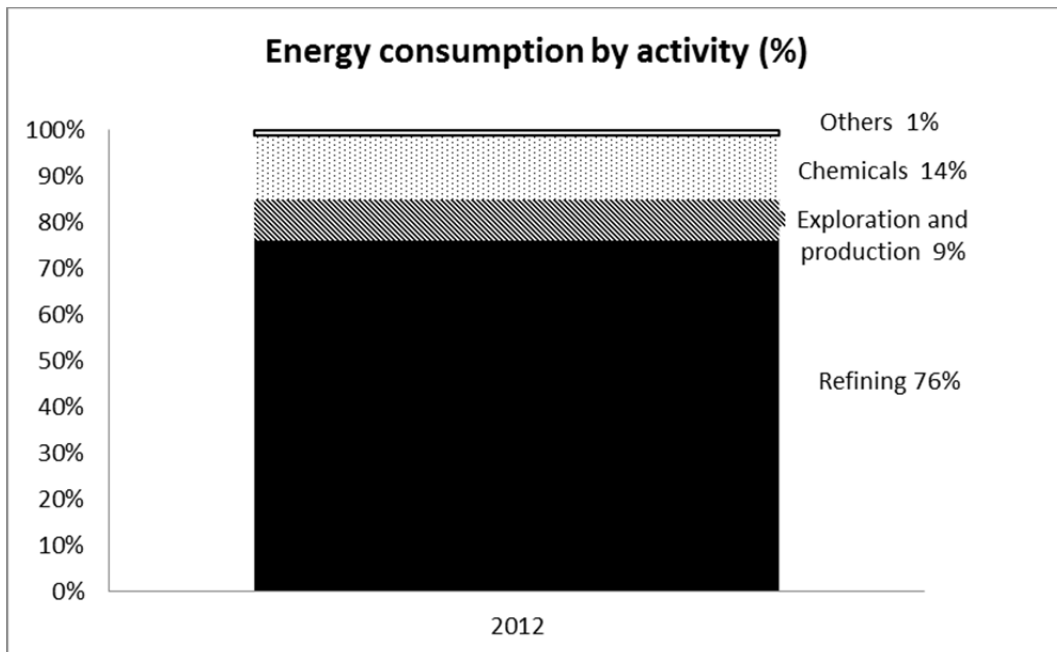
### Energy consumption

In energy terms, Repsol's total 2012 consumption increased slightly due to the startup of new refinery units in Spain (Cartagena and Petronor). Thanks to energy efficiency measures and the fuel substitution, this increase has remained moderate, despite the greater complexity of the new production schemes. All the other business units have worked to implement reduction actions in line with previous years.

Of the company's total energy consumption, 94% is direct and 6% indirect (due to the purchase of electricity or steam from third parties).



Energy consumption			
million GJ	2010	2011	2012
Energy consumption	170.0	172.6	178.6



Energy consumption by activity	
% Activity	2012
Refining	76%

Exploration and production	9%
Chemicals	14%
Others	1%

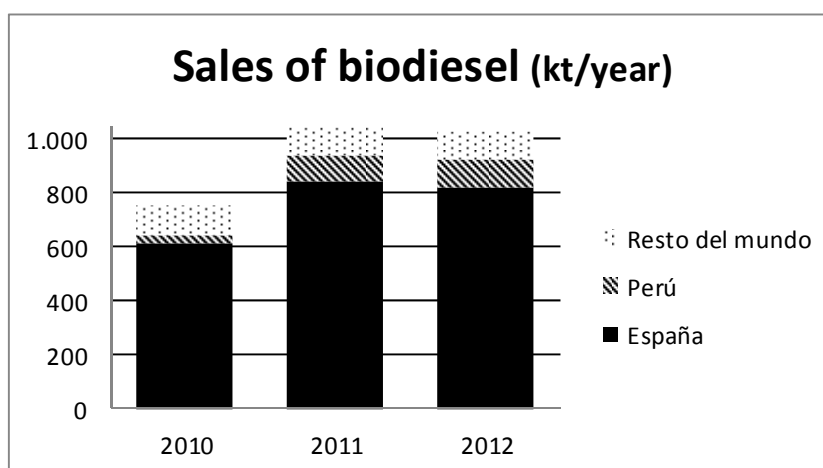
## Distribution of biodiesel and bioethanol<sup>81 82</sup>

Repsol promotes a balanced market for obtaining and processing raw materials for biofuel production and takes the measures necessary to mitigate risks to our supply chain. The European Renewable Energy Directive (RED) defines sustainability criteria for biofuels, to protect land with high biodiversity value or high carbon reserves. In Spain, Royal Decree 1597/2011 of November 4, 2011, establishes sustainability criteria and the national sustainability verification system, which comes into force on January 1, 2014.

The National Energy Commission (CNE) leads the specification of the operational aspects needed to ensure compliance with the Royal Decree. Repsol is an active participant in the working group set up for this purpose. The European Directive delegates to the Commission the responsibility to study and develop proposals and methodologies to measure emissions from carbon stock changes caused by indirect land use changes. Accordingly, the European Council and Parliament have been studying this effect during the last two years. In October 2012, the Commission published proposed amendments to RED and the Fuel Quality Directive (FQD) to:

- Limit the use of BIOS of agricultural origin to 5%
- Some ILUC factors are defined in accordance with the type or family of raw materials. These factors do not apply when calculating objective compliance, only a report of the EMs is requested.
- Encourage further the use of BIOS originating from algae, wastes and certain other raw materials.

In our biofuel development and production projects, we hold to strict sustainability criteria. In 2012, we met our mandatory minimum annual targets for biofuel sales and/or use in transport in all our countries of operation. In 2012 in Spain, we distributed 559,000 tons of biodiesel, 137,000 tons of bioethanol and approximately 263,640 tons of hydrogenated vegetable oil.

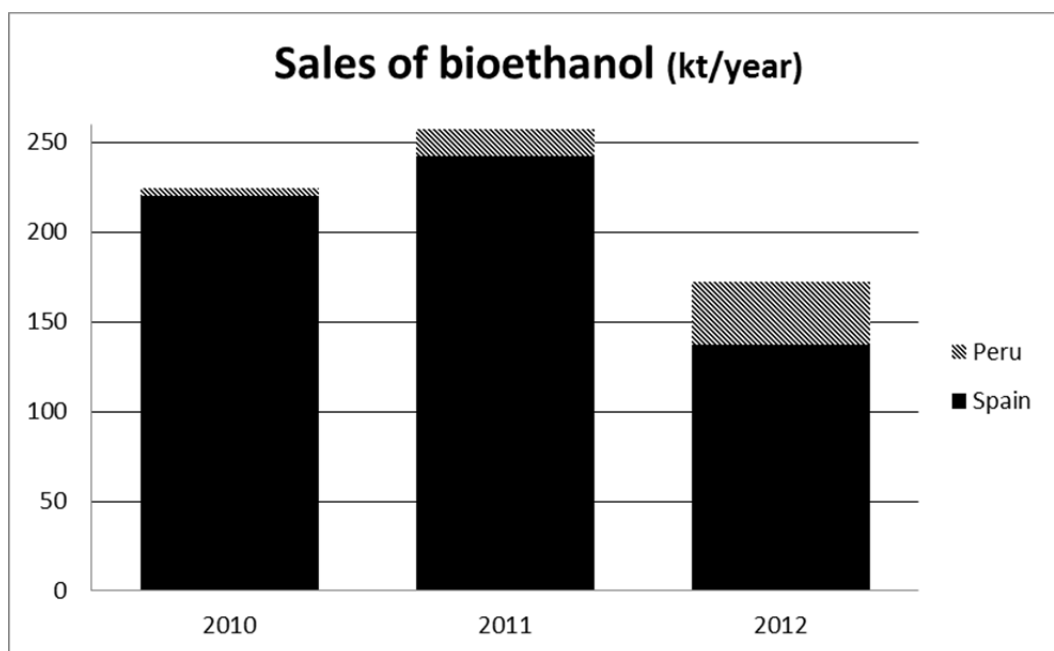


Distribution of biodiesel

<sup>81</sup> Includes data from Spain, Peru, Italy and Portugal. The 2010 data has been corrected for the sales of assets in Brazil.

<sup>82</sup> Includes data from Spain and Peru.

Thousand metric tons	2010	2011	2012
Spain	610	843	823
Peru	35	92	99
Rest of the world	106	105	106
TOTAL	751	1040	1028



Sales of bioethanol			
Thousand metric tons	2010	2011	2012
Spain	220	242	137
Peru	4	15	35
TOTAL	224	257	172



## Ethical behavior

All Repsol employees are obliged to notify their line managers or the Ethics Committee about any breaches of our ethics and conduct regulations they become aware of in the course of their duties. There are official whistleblower channels put in place for this purpose.

*In 2012, the Ethics Committee met on four occasions and addressed among other issues information sent via its channels on other cases being processed by the company in areas relating to the ethics and conduct regulations.*

Suggest the following: The Ethics Committee is responsible for overseeing the implementation of Repsol's ethics and conduct regulations. It met four times during 2012.

## The Ethics Committee

The Ethics Committee is an official, consultative, permanent, internal body that is responsible for oversight of the ethics and conduct regulations.

It is made up of executive-level representatives from the ED General Secretariat and Board of Directors, ED People and Organization and ED Strategy and Control.

The Repsol Ethics Committee is responsible for increasing awareness of the ethics and conduct regulations among all company employees. The committee also advises the company's business areas how to interpret and apply the regulations. It proposes the control mechanisms needed to encourage, oversee and – where necessary – help ensure compliance with the regulations.

The role of the Ethics Committee also involves presenting recommendations, as it feels appropriate, to the governance bodies of Repsol and companies within the group on issues relating to compliance with the ethics and conduct regulations.. In addition, it may assist the group's investee companies regarding the ethics and conduct regulations, if necessary.

As part of its commitment to transparency, the committee keeps records of its actions and responds to external information requests on implementation of the ethics and conduct regulations.

The committee is responsible for resolving or proposing solutions to any breaches of the regulations it considers appropriate, based on the principle of presumption of innocence. The committee notifies Repsol's ED People and Organization of any breaches of the ethics and conduct regulations, so that the company may take appropriate measures.

It also ensures that no reprisals are taken against any employees or third parties who act in good faith by reporting presumed noncompliance with the Ethics and Conduct Regulation.

In 2012, the Ethics Committee met on four occasions. Among the issues the committee discussed were:

- Details of regulations breaches.
- Communication campaigns about the ethics and conduct regulations and the Ethics Committee.
- Updating the ethics and conduct regulations.
- Review and approval of the proposed modification of the Ethics and Conduct Regulation, which was finally approved by the Repsol S.A. Board of Directors on 19 December 2012.
- Review and approval of the proposed anti-corruption policy.

More information about the Ethics Committee is available  
[www.responsabilidadcorporativa.repsol.com](http://www.responsabilidadcorporativa.repsol.com)

## Managing noncompliance

Repsol employees and any other third party may confidentially inform the Ethics Committee of any possible breaches of our ethics and conduct regulations.

*Since it was created, the Ethics Committee has received 104 communications either directly or indirectly related to our ethics and conduct regulations.*

### Reporting

The Ethics Committee has a whistleblower channel that is accessible to Repsol employees and third parties at [www.repsol.com](http://www.repsol.com). This channel is completely confidential. It can be used to send queries about our ethics and conduct regulations and notifications of possible breaches of, or noncompliance with, the regulations. In addition, employees also have the option of sending notifications to the committee via the Repsol intranet.

In addition, line managers who are informed of possible breaches by their workers must immediately inform the People and Organization Executive Department, which will in turn inform the Ethics Committee about the most significant cases.

Anybody can use the Audit Committee channel (also available at [www.repsol.com](http://www.repsol.com)) to confidentially report any incident relating to accounting, internal accounting and audit controls affecting Repsol or the Board of Directors' Audit and Control Committee. Communications may also be sent via a secure email system.

Between 2006, when it was set up, and 31 December 2012, the Ethics Committee received 104 communications either directly or indirectly related to the Ethics and Conduct Regulations. Of those received in 2012, two were related to commercial complaints, six involved relations with suppliers and contractors, four involved employment situations and the last two related to aspects involving compliance with legislation. As of 31 December 2012, only one of these communications is being processed. The rest have been cancelled.

### Penalties for breaches

In 2012, 1,423 employees were disciplined due to failure to comply with the Ethics and Conduct Regulations:

Disciplinary proceedings in 2012		
	Warnings	Dismissals
Spain	39	52
Brazil	0	2
Ecuador	3	0
Peru	1275	27
Portugal	10	3
Trinidad and Tobago	6	0
United States	2	4
<b>Total</b>	<b>1335</b>	<b>88</b>

In Spain there were a total of 91 warnings or dismissals for failure to comply with the Ethics and Conduct Regulations. Of these, six were for misdemeanors involving clients, 52 involving the company's assets, 11 involving security and 22 for other kinds of breaches. Of the 39 warnings, seven were written warnings, one was verbal and the other 31 were employment and wage suspensions.

The two dismissals of employees in Brazil were due to a misdemeanor affecting clients and another in the “other breaches” category. In Ecuador there were three written warnings, all in the “other breaches” category.

In Peru, 1,302 sanctions were imposed for failure to comply with the Ethics and Conduct Regulation. Of these, 19 were for misdemeanors involving company assets, 14 for misdemeanors involving security, three involving clients, 813 for failure to follow procedures, 397 for lack of cooperation and dedication during the working day and 32 for other reasons. Of the 1,275 warnings, 945 were written warnings, 102 verbal ones and the other 225 were employment and wage suspensions.

In Portugal a total of 13 sanctions were issued: three dismissals and 10 warnings. Of these, four were misdemeanors involving clients, four involved company assets, two involved security and three were for other breaches. Of the 10 warnings, eight were written warnings and two were employment and wage suspensions.

In Trinidad and Tobago there were a total of six sanctions, all of which were warnings: two for misdemeanors involving company assets and four for other kinds of breaches. One of the warnings included suspension of employment and salary, while another was a verbal warning and the remaining four were written ones.

Lastly, in the United States, a total of six sanctions were imposed for failure to comply with the Ethics and Conduct Regulation in the “other breaches” category, with four of them resulting in dismissals and two in written warnings.

## Other oversight and control systems

Repsol's CD Audit and Control helps to investigate notifications of breaches of our regulations received via Ethics Committee and Audit Committee communication channels.

*The company's compliance and control models include controls designed to mitigate incidents of non-compliance with the ethics and conduct regulations.*

The CD Audit and Control reviewed matters relating to compliance with the ethics and conduct regulations in 49 projects in 2012. These reviews covered issues such as:

- Proper use and protection of company assets;
- Potential conflicts of interest;
- Transparency and confidentiality of information
- Relations with clients, suppliers, contractors and partners;
- Protection of personal data
- Compliance with the law and financial records.

As outlined in "[Identifying and managing risks](#)", the company's compliance and control models include controls aimed at mitigating risks relating to compliance with our ethics and conduct regulations:

- Controls have been identified that are designed to mitigate risks related with integrity and ethical values through our **internal control systems for financial reporting (ICSFR)**. The company also has controls and formally established mechanisms that promote the dissemination of and compliance with our internal ethics and conduct regulations.
- Our **crime prevention model** mentioned above has helped to reinforce mechanisms to identify, evaluate and mitigate risks of noncompliance with our ethics and conduct regulations.
- Lastly, the Audit and Control Division has a **legislatiion compliance program** described above, that monitors obligations relating to issues such as personal data protection, compliance with safety and environmental regulations, reporting information to public bodies and regulatory entities, etc.

## Ethics and conduct regulation

Repsol's ethics and conduct regulations embody the behavior we require in our activities and operations. Our behavior has strict ethical boundaries, respects human rights and minimizes environmental impacts. We expect our partners, suppliers, contractors and collaborators perform in a manner that reflects our own.

*In 2012 our ethics and conduct regulations were reviewed and updated.*

The purpose of our [ethics and conduct regulation](#) is to establish the overall guidelines for the conduct of Repsol and all its employees in performing their duties and in their commercial and professional relationships. We also act in accordance with relevant national laws and respect local cultural ethical principles.

Our ethics and conduct regulations were reviewed in 2012. The modifications were aimed at strengthening ethical behavior guidelines. The review process was based on a comparative study – benchmarking – of the codes of conduct of other companies in the energy sector. Leading independent external civil society experts were involved in the review process.

Modifications were made to the structure and content of the regulations, with some of the most important being:

- Scope of application:
  - Specification that the regulations extend to all of the group's directors, executives and employees, regardless of the contract governing their tenure, their position in the company or the place where they perform their work, as in the case of secondees<sup>83</sup>;
  - Inclusion of a point of reference to motivate all partners, suppliers, contractors and collaborating companies to adopt guidelines for behavior that are consistent with the regulations.
- Dissemination of and compliance with the regulations:
  - Express obligation on the part of Repsol to communicate and disseminate the content of the regulations among all employees, and to provide all necessary resources in order to do this.
  - Obligation on the part of Repsol to ensure that all employees joining the company are given relevant information about the regulations.
  - Obligation of employees to ask their line manager or the Ethics Committee about any questions they may have regarding application of the regulations.
  - Obligation on the part of all employees to notify the Ethics Committee or their line manager of any breach of the regulations that they observe in the course of their duties, having been informed of the existing channels in place for this.
- Guidelines for conduct:
  - The guidelines for conduct have been reorganized and reinforced and some new ones incorporated, such as compliance with legislation and continuous adaptation of applicable regulations; cooperation and dedication; corporate image and reputation; and relationship with shareholders.

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<sup>83</sup> In this case, *secondees* are understood as employees of other companies who have been temporarily transferred to the Repsol group in order to provide professional services.

- Likewise, areas relating to human rights have also been extended and strengthened: professional development and equal opportunities; conflicts of interests; reliability of information and control of records; gifts and presents; measures against corruption and money laundering; relations with governments and political parties; and social donations and projects.

Relevant information about the functions of the Ethics Committee and its communication channels is available on the company's intranet and corporate website so that employees and third parties can report any possible infringements of the ethics and conduct regulations in confidence.

#### **Updating of the ethics and conduct regulations**

The modification of the Repsol employees' ethics and conduct regulations was approved by the Board of Directors on 19 December 2012, and came into force for all company employees on 9 January 2013. The modified text was previously reviewed by the Ethics Committee on 4 December 2012 and received positive feedback from the Audit and Control Committee at its 18 December 2012 meeting.

More information about the Ethics Committee is available at  
[www.responsabilidadcorporativa.repsol.com](http://www.responsabilidadcorporativa.repsol.com)

## Training and awareness-raising

Repsol encourages employees, partners, suppliers, contractors and collaborating companies to adopt guidelines for behavior that are consistent with our ethics and conduct regulations.

*We are developing a training course on our ethics and conduct regulations that will enhance all employees' knowledge of the commitments and guidelines contained in the regulations. This will coincide with an intensive communication campaign about the regulations.*

Some communication campaigns about our ethics and conduct regulations were run in 2012, using a variety of internal communication channels. Among other messages, these campaigns:

- Reminded people that the ethics and conduct regulations apply to all Repsol employees, regardless of where they are located.
- Used International Human Rights Day, on 10 December, to reinforce the company's commitment to human rights, which is reflected in the ethics and conduct regulations.
- Highlighted the Ethics Committee's role in enhancing understanding of and compliance with the ethics and conduct regulations.

Aside from these campaigns, during 2012 the Corporate Governance Affairs Division worked with the company's training unit to prepare a course on the ethics and conduct regulations, which is expected to be rolled out to all Repsol employees in 2013.

This course is provided online, and its purpose is to enhance employees' knowledge of the ethics and conduct regulations by describing different situations in which the principles and guidelines contained in the regulations would apply.

Throughout 2013 a wide range of programs will be rolled out that will inform employees and external third parties about the new ethics and conduct regulations, and how they affect all our activities.

More information about ethical conduct training and awareness-raising is available at [www.etica.responsabilidadcorporativa.repsol.com](http://www.etica.responsabilidadcorporativa.repsol.com)



# Anti-corruption

Repsol is committed to combating corruption in all its forms

*Our new anti-corruption policy came into force in January 2013.*

Repsol takes a stand against anything that involves exerting unethical influence on people outside the company in order to obtain any benefit or advantage. In order to prevent corruption, Repsol ensures its activities follow our anti-corruption policy and comply with all current legislation where we operate.

Corruption can take many forms, including soliciting, offering or accepting bribes in cash or in kind involving public officials or people from the private sector, conflict of interest, fraud, money laundering, embezzlement, concealment and obstruction of justice, and influence peddling.

As a company, Repsol has many rigorous mechanisms to prevent, detect and investigate cases of corruption. Its various divisions evaluate the effectiveness of the company's internal control systems and ensure the prevention of criminal activity.

The CD Audit and Control investigates potential incidents of corruption and notifies senior management so that the relevant disciplinary measures can be taken, as well as all necessary remediation actions to deal with any existing internal control problems.

## Measures to prevent corruption in Repsol

The CD Audit and Control is responsible for evaluating the effectiveness of the company's internal control systems and monitoring control models and compliance by means of its audit and online audit project teams, auditing of associations and contracts, and systems, compliance and control audits.

The company has mechanisms in place to prevent, detect and investigate cases of corruption:

- Our crime prevention model (CPM) aims to prevent and, where relevant, uncover criminal conduct by managers and employees of the group's Spanish companies.
- The internal control system for financial reporting (ICSFR) has a system to alleviate the risks of financial reporting fraud.

A model for separation of functions is also in place to prevent and minimize the risk of fraud in the financial reporting process.

- The internal audit function deals with fraud risk, using the methodology developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- Our Systems Audit Division uses general computer controls, based on the methodology of the Control Objectives for Information and Related Technology (COBIT), to put in place the technology required by the group's anti-fraud models.
- The Online Audit Unit has designed indicators to issue alerts on the possibility of fraud or potential fraud. Some 33% of the indicators monitored by the Online Audit unit are focused on fraud. In 2012, these indicators were put in place in 28 Repsol companies.

### Controls of non-operated assets

The CD Audit and Control conducts detailed audits of assets that are not operated by Repsol, including selective review of the accounting records of associations in which the company has

an interest. This review includes checks on the existence of corruption, including any breaches of the US Foreign Corrupt Practices Act (FCPA) and any unjustified payments.

In addition, when necessary, analysis is conducted into any improper or unjustified expenditure or payments; these are identified and reported at the appropriate level.

### **Anti-corruption policy**

Repsol has a new policy intended to consolidate our commitment to anti-corruption, and be the guiding principles governing our actions in the fight against corruption.

This policy was developed as one of the actions agreed within the company's corporate sustainability plan for 2012-2013, and driven by the commitment to fight against corruption in all its forms and develop specific policies in relation to this issue.

The new anti-corruption policy was reviewed by the Ethics Committee and then approved on 12 January 2013. This policy will apply worldwide in all of the companies in which Repsol has operating control.

Repsol is also committed to promoting and enhancing knowledge of this policy among its partners, suppliers, contractors and collaborating companies. We are also committed to encouraging them to develop guidelines for behavior that are in line with our policy.

### **Implementation of the crime prevention model**

Repsol's crime prevention model (CPM) was introduced in all of our group companies in Spain in 2011. It aims to prevent criminal conduct by the managers and employees, mitigating the criminal liability incumbent on the company and its management, preventing possible sanctions and negative consequences for the group's reputation and value, and bringing the group's Spanish companies into line with best anti-corruption practices.

The CPM is organized as a formal framework of regulations, procedures and controls that provide a means of reasonably ensuring that the risks of crimes being committed are suitably identified, documented, evaluated, controlled and updated.

The model identifies and evaluates the criminal risks associated with the Repsol group's activity, such as: disclosure of confidential company information; environmental risks; breach of workers' rights; fraud; money laundering; bribery; and, influence peddling and corruption.

Each business unit is responsible for ensuring it is aware and countering potential risks of crime, and that the procedures for doing so are relevant and effective.

CPM has an annual independent external verification process into the design and operation of the CPM in each of the companies in which it operates. The results of external verification are reported to the management bodies of the companies covered by the CPM, and information may also be submitted to the company's directors and Repsol's Board of Directors' Audit and Control Committee.

In 2012 we began to investigate how the CPM could be extended to other countries where Repsol operates.

More information on the fight against corruption is available at [www.etica.repsol.com](http://www.etica.repsol.com)

# Transparency

Repsol reports all actions, operations and transactions truthfully and transparently, and verifiably

Repsol views transparency of information as a basic principle that should guide our actions. For this reason, we work to ensure that all the financial and non-financial information we publish is truthful and complete. This principle of transparency and truthfulness in our information also extends to our internal communications.

Repsol has several activities that promote transparency, such as:

- Reporting on our performance, not just in terms of finance, but also in ethical, social, environmental and governance performance, at a corporate level and also in some of our local operations;
- Ongoing dialog with various civil society organisations;
- Support for initiatives to promote financial transparency in the international extractive sector and in the countries where we operate;
- Compliance with the Code of Best Tax Practices, which clearly spells out our opposition to the use of opaque tax structures. We have signed up to the Lobby Register as part of the European Commission's initiative to improve transparency.

## **Repsol and the Extractive Industries Transparency Initiative**

Since its creation, Repsol has played an active and supportive role in the Extractive Industries Transparency Initiative

In 2003 Repsol was a founding member of the Extractive Industries Transparency Initiative (EITI). The aim of this initiative is to strengthen governance in the extractive industry through improved transparency and accountability.

### **EITI in Peru**

As part of our commitment to extending the EITI's influence, we supported Peru's incorporation into the initiative. The process was completed in February 2012, when Peru obtained compliant country status, being the first of the Latin American countries in which we operate to attain such status.

### **Trinidad and Tobago**

Repsol has also participated in developing a memorandum of understanding (MOU) for EITI in Trinidad and Tobago. This MOU establishes an agreement between the government, civil society organizations and companies operating in the country. It sets out the responsibilities of each party, as well as the commitment to report in line with EITI's transparency requirements.

Trinidad and Tobago is expected to present its first validated report in 2013, which could mark its change in status from candidate country to full EITI compliance.

More information on Repsol's work to promote transparency is available at  
[www.transparencia.repsol.com](http://www.transparencia.repsol.com)

## Taxes

The extractive industry is an important source of revenue for countries with natural resources. If properly managed, this revenue can contribute positively to economic growth.

*In 2012, Repsol paid a total of €13.348 billion in tax in its countries of operation*

Repsol maintains a stance of political neutrality. We do not finance, either directly or indirectly, political parties or their representatives or candidates, either in Spain or abroad.

Our relations with authorities, regulatory bodies and public administrations are conducted on the principle of cooperation and transparency.

### Taxes paid to governments

Countries that are rich in natural resources are usually countries with low levels of development and high political instability. If well distributed, the revenue these governments receive from companies will help improve the infrastructure, education and healthcare of these countries, as well as combating inequality and helping to create jobs.

We are aware of the situation facing people in certain resource-rich countries, who may not fully enjoy the wealth we generate, and we agree that increased transparency could help to alleviate this situation.

In response to requests received from some civil society organizations, we voluntarily publicize the taxes we pay, on a country-by-country basis. We have done so since 2010. In 2012, the tax paid by Repsol (excluding Gas Natural Fenosa) came to €13.348 billion. Of this total 18% (€2.400 billion) was for corporate income tax or other tax related to hydrocarbon production and/or sale, and 82% (€10.948 billion) to taxes withheld or passed on to third parties (among others, withholdings on salaries and VAT).

Taxes paid per country (€m)					
Country	2010	2011	2012		
			Upstream	Downstream	Total
Spain	7,930	8,310	12	8,171	8,183
Bolivia	21	25	50	1	51
Brazil <sup>84</sup>	518	47	40	2	42
Italy	301	299		371	371
Libya	584	120	944		944
Peru	594	711	147	631	778
Portugal	1,043	1,132		1,117	1,117
Trinidad and Tobago	455	522	385		385
Venezuela	103	196	141		141

<sup>84</sup> The 2010 figures for Brazil cannot be compared with those for 2011 and 2012 due to Repsol YPF selling its 30% stake in the company Alberto Pasqualini Refap in December 2010. S.A. (Refap). The figures for Repsol Sinopec Brasil, S.A. are included according to the percentage shareholding in the company in consolidation (60%).

Other countries <sup>85</sup>	4,619	4,994	339	997	1,336
<b>Total<sup>86</sup></b>	<b>16,168</b>	<b>16,356</b>	<b>2,058</b>	<b>11,290</b>	<b>13,348</b>

More information about Repsol's work to promote transparency is available at [www.transparencia.repsol.com](http://www.transparencia.repsol.com)

<sup>85</sup> Includes taxes of less than €50 million paid in other countries where the Repsol Group operates and those relating to our Argentinian company YPF up to the time when it was expropriated.

<sup>86</sup> The reduction in 2012 with respect to the figures for previous years can be explained primarily by the expropriation of YPF, S.A. (this table only shows the figures up to the time of the exit of this entity).

## Financial aid received

Subsidies recorded in our balance sheet stood at €61 million and €118 million in 2012 and 2011, respectively. These related primarily to the construction of gas or electricity infrastructures (€51 million in 2012 and €64 million in 2011).

Subsidies relating to our former Argentinian company YPF of €48 million were included in 2011. These were removed from Repsol's consolidated balance sheet in 2012 following its loss of control over YPF and YPF Gas.

The balance sheet includes income relating to capital subsidies under the subheading "Allocation of subsidies for non-trade and other fixed asset investments". Meanwhile, the total of the operating subsidies recorded as income for the year under the subheading "Other operating income" stood at €21 million and €2 million in 2012 and 2011, respectively, without taking into account the €70 million relating to YPF in 2011.

More information about Repsol's work to promote transparency is available at  
[www.transparencia.repsol.com](http://www.transparencia.repsol.com)

## Other related issues

Our commitment to transparency also covers the issues of lobbying, tax havens and fair operating practices.

*Repsol does not have a presence in countries included on the OECD list of uncooperative tax havens.*

### Lobbying activities

We take part in discussions regarding the development of public policy because we believe that we can contribute relevant information, knowledge and experience.

We support transparent lobbying activities. We seek to reassure any party that may be concerned about the integrity of such practices or their possible impact on other stakeholders.

The company is registered in the European Union Transparency Register (<http://europa.eu/transparency-register/>) and the United States Lobbying Disclosure Register (<http://lobbyingdisclosure.house.gov/register.html>). The information that Repsol provides in both of these registers is public and accessible on these agencies' websites

The European Union Transparency Register requires detail of the associations and networks that we are members of and of our expenditure on lobbying activities in Europe. The latter amounted to €220,000 in 2012.

The expenditure associated with direct lobbying activities carried out by our employees in the US is €90,000. For the United States Lobbying Disclosure Register, we must declare every six months about direct or indirect payments to public employees of the American government. Both Repsol and our employees who undertake lobbying activities on our behalf declared in 2012 that they did not made any such payments to US public employees.

### Tax havens

Repsol does not use its company structures or those of any other kind in order to cover up, limit or conceal the transparency of its activities from the tax authorities or any other stakeholder.

Transparency and business ethics require that companies must work to avoid the use of special purpose vehicles in tax havens with the purpose of making it impossible to find out who is ultimately responsible for the activities or the end owner of the assets or rights generated.

For this reason, Repsol has been a signatory since 2010 to the Code of Best Tax Practices produced by the Large Businesses Forum in conjunction with the Spanish tax authorities. The aim of this initiative, promoted by the Spanish government, is to encourage transparency, good faith, and cooperation with the Spanish tax authorities regarding business taxes, and legal security in the application and interpretation of tax regulations. In this area, the company has expressly undertaken not to use opaque structures for tax purposes.

The company is working actively in its efforts to reduce its already limited presence in territories classified as tax havens or those regarded as uncooperative by tax authorities. Therefore, Repsol currently has no operations in the territories included in the OECD list of uncooperative tax havens<sup>87</sup>.

According to Spanish law, which has a broader concept of what constitutes a tax haven<sup>88</sup>, Repsol currently controls two active companies established in such territories: a company

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<sup>87</sup> "A progress report on the jurisdictions surveyed by the OECD global forum in implementing the internationally agreed tax standard" published on 18 May 2012.

<sup>88</sup> The list of tax havens dates from 1991 and includes a long list of countries with one feature in common – at least at the time when the list was approved – which was their limited or nonexistent application of taxation.



constituted in Bermuda that works in the field of insurance; and another constituted in the Cayman Islands, which is involved in financial activities<sup>89</sup>.

Repsol is not present in these countries for the purpose of limiting the transparency of its activities.

Repsol International Capital, the company based in the Cayman Islands, has issued shares that have been accepted for trading by the Spanish stock market, and it is subject to supervision by the Spanish National Stock Market Commission, which it regularly informs about its activities and financial statements.

Repsol has another company that undertakes hydrocarbons exploration that is based in Liberia.

Notification of the constitution or acquisition of shares in entities domiciled in countries or territories that are regarded as tax havens must be provided to the Repsol Board of Directors by means of the Audit and Control Committee.

### **Good operational practices**

No sanctions relating to antitrust practices were lodged against companies in the Repsol Group in 2010, and no binding rulings were received in relation to cases initiated in previous years.

In order to increase awareness and ensure that we are always up to date on competition law, our employees in commercial areas and/or those who represent the company in industry associations were trained on best practice in this area in 2012.

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<sup>89</sup> Spain is strengthening its international initiatives that will lead to the signing of agreements to effectively exchange fiscal information between most of the countries and territories on the 1991 list. Information exchange agreements have also been signed with Bermuda and the Cayman Islands. Over the short term, these will result in the production of a list of tax havens in these countries and territories.

## Respect for human rights

At Repsol, we believe that respect for human rights is one of the fundamental pillars underpinning our activity worldwide. A respect for human rights must be the model for our conduct in all of the countries in which we are present and for all of our operations.

*We have continued to work on implementing the United Nations "Protect, Respect and Remedy" framework, by applying the Guiding Principles on Business and Human Rights within the company's processes.*

### Public commitment

Repsol's corporate standards are applicable worldwide and encompass the company's commitments in the sphere of human rights. These include: Ethics and Conduct Regulations; Policy of Respect for People and their Diversity; Labor Relations Policy; Purchasing and Contracts Policy; Community Relations Policy; Policy on Relations with Indigenous Communities; and the Policy on Corporate Security.

However, as part of the process to integrate the Guiding Principles on Business and Human Rights, we have decided to develop a Policy on Respect for Human Rights. This will cover existing commitments while allowing us to define the context of our activities and how these activities must establish a framework for relations with our stakeholders.

The policy was developed during 2012 and is currently at the formal approval stage. The development process included review from external and internal stakeholders. The policy will be approved and published during 2013.

In the first part of the process, which took place between September and November, comments and suggestions from external social agents were included. Six organizations were consulted, of which four sent us their comments, many of which were included in the draft. During the second part of the process nine internal units directly affected by the policy collaborated. This phase took place between November 2012 and January 2013. Repsol has established the objective that this policy be approved and published in 2013.

## Due diligence

Our Regulations for Environmental, Social and Health Impact Assessment build the evaluation of human rights impacts into the company's impact assessment process.

*We have launched tendering processes for the first human rights impact assessments that will be carried out at three of our operations, two in Bolivia and one in Peru. We have completed 18 ethical and human rights audits of our suppliers and contractors.*

We are working to introduce a continuous process of due diligence into our own activities, and those that have a direct relationship with activities, products or services provided by our commercial partners. In order to identify, prevent, mitigate and respond to potential negative consequences for human rights, we have Regulations for Environmental, Social and Health Impact Assessment, which were approved in 2011 and came into effect in December 2012.

Applicable worldwide, these regulations build human rights into impact assessment processes. This means they are taken into account from the design phase of investment projects, which allows risks to human rights to be identified in a timely manner.

In 2012, we initiated a tendering process for three human rights impact assessments, as part of the process of implementing our Regulations for Environmental, Social and Health Impact Assessment. The assessments will be conducted during 2013, two in Bolivia and the third in Peru. In addition, the regulation, which incorporates the evaluation of human rights impact, is being applied to an offshore operation in Colombia.

As part of our due diligence processes, Repsol is establishing mechanisms that will help us prevent human rights impacts arising from our commercial relationships. In 2012, we included respect for human rights clauses in the model joint operating agreements with our partners. We have also carried out human rights audits on a total of 18 of the suppliers and contractors deemed to present the highest risk. Respect for human rights was integrated into all supplier and contractor rating processes in 2012. Further information can be found in the ["Suppliers and Contractors"](#) chapter.

During 2012, Repsol's Audit and Control Division, working with the Corporate Responsibility Unit, conducted a series of audit tests designed to verify compliance with our internal regulations related to ethics and conduct, human rights, labor rights, relations with indigenous rights and other general aspects. These audit tests were included in audit projects during the second quarter of 2012.

## Communication channels

Repsol uses various channels to communicate with its stakeholders. Some exist at operational level, allowing stakeholders to raise questions relating to human rights.

*At Repsol, we try to establish communication channels that are available to people and communities within our operations' areas of influence, thereby improving access to complaint mechanisms.*

Repsol has three reporting channels that allow our stakeholders to report potential grievances in relation to human rights.

- Ethics Committee communication channel.
- Audit and Control Committee communication channel
- Mailboxes for receiving anonymous communications, which are then managed by Corporate Security.

Specific channels are also provided for communications that may include grievances or complaints in the countries where we operate. In Ecuador and Peru, the “Xprésate” channel is available for all types of communication.

As described in the [“Managing noncompliance”](#) section of the “Ethical Conduct” chapter, the Ethics Committee communication channel received 14 communications in 2012, four of which were related to human rights issues, specifically labor situations.

One complaint was received in Ecuador regarding an ethical breach by an employee, who was dismissed after an investigation carried out by the Corporate Security Division.

In certain situations, and depending on the seriousness of the complaint, these incidents are also reported to the appropriate judicial authorities.

In 2012, Repsol pledged and initiated its involvement in a pilot project at one of its exploration and production operations to improve complaint mechanisms. Promoted by IPIECA, the global oil and gas industry association for environmental and social issues, the project aims to develop guidelines for complaint mechanisms at an operational level, in line with the Guiding Principles on Business and Human Rights.

## Employee training and awareness-raising

Repsol works to ensure that its employees know and understand the human rights commitments the company has undertaken.

*We have an online human rights training course, accessible to all company employees.*

Having corporate human rights regulations in place and instituting due diligence do not guarantee that negative consequences for human rights can be avoided. That's why Repsol dedicates effort and resources to fostering a culture of respect for human rights among its employees, through training and awareness-raising activities.

In 2012, we delivered online human rights training to inform employees about the company's commitment, the international framework on which it is based, and how it is being implemented at Repsol. The course includes case studies and examples of situations related to our activities.

In the initial phase, the course was completed by 254 employees from different countries who perform functions in which human rights issues are especially significant. These include supplier contracting, people management and responsibilities in our operations and their surroundings.

<b>Human rights online training course</b>		
<b>Hours delivered during 2012</b>		
<b>Country</b>	<b>Total individuals</b>	<b>Hours</b>
Spain	17	34
Algeria	56	112
Bolivia	115	230
Colombia	14	28
Ecuador	13	52
Iraq	3	6
Libya	34	68
United Arab Emirates	2	4
<b>TOTAL</b>	<b>254</b>	<b>534</b>

This training is available to all company employees.

In addition, we continue to deliver specific classroom-based sessions for individuals assigned to particularly relevant functions:

- Ethics and human rights module in the annual training forums for Purchasing and Contracts personnel.
- Human-rights session for new professionals on the Master's in Energy Management at the Repsol Further Training Center (CSFR).
- Specific training courses for our community relations experts. Participants in these courses examined all Repsol regulations on indigenous community relations, as well as international and national regulations on the rights of indigenous peoples, including the International Labour Organization (ILO) Convention No. 169 concerning indigenous and tribal peoples in independent countries. These courses were held in Bolivia, Ecuador and Peru, with the participation of all community relations team members in these countries (46 people in total).

## **Our relationships**

Repsol promises to make all reasonable efforts to prevent or mitigate possible negative consequences for human rights as a result of its own activities or those that its commercial partners carry out on its behalf.

*Working with its stakeholders, Repsol prioritizes the human rights issues on which it must focus its efforts.*

As part of Repsol's commitment to respect internationally recognized human rights, the company works to prevent its own activities from causing negative consequences for human rights, and addresses these consequences if they occur. Repsol also makes resources available to prevent or mitigate negative consequences directly related to the activities carried out by our partners, suppliers or contractors.

As expressly stated in our regulations, Repsol does not employ underage workers, nor does it use forced labor. We do not discriminate on any grounds against the people who work for us, our contractors, suppliers or clients, in any of the countries in which we are present, at any time during their employment.

In 2012, no activities carried out by Repsol employees, major suppliers or contractors, were identified by us as posing a potential risk of incidents of forced labor or child labor.

We respect and support the right of our workers to free association and collective bargaining in all of the countries in which we operate. We have no record of any incidents during 2012 that infringed these rights, either in our activities or in those of our major suppliers and contractors.

### **Respecting the human rights of our employees**

Repsol promises to respect the human rights of its employees, and will establish the necessary mechanisms to safeguard these rights in all the countries in which the company operates.

We investigate all incidents of discrimination or harassment that could affect the people that work for us.

In 2012, five harassment cases were reported in Spain. Every case was investigated in accordance with the harassment protocol set out in the collective agreement, in the presence of union representatives. Our investigators did not consider that any of these cases constituted a situation of harassment. Had the opposite outcome been determined, the case would have been referred to the Labor Relations Division for further proceedings.

The complaint received in 2011 by the Unión Sindical Obrera trade union (USO), regarding possible discrimination resulting from the pension plan for workers joining the group after a certain date was closed with a resolution in Repsol's favor and with no evidence of any subsequent wrongdoing.

A discrimination complaint was also filed in Brazil, due to noncompliance with the recruitment quota for disabled persons. A recruitment process will be launched to rectify this situation.

In Peru, a group of workers complained about possible discrimination in their remuneration. This situation was rectified following conciliation proceedings between relevant parties.

Lastly, there were two incidents of human-rights related harassment in Trinidad and Tobago. For one of the cases, having examined the circumstances, it was decided to issue a formal warning to the individual under investigation. In the other case the individual in question received a letter recommending a change in behavior.

Further information about Repsol's employee relations can be found in the chapter "[Team Repsol](#)".

## **Respecting the human rights of local communities**

Repsol has pledged to respect the human rights of people in the local communities where we operate. We specifically undertake to respect the human rights of people belonging to the most vulnerable groups or populations, as in the case of indigenous communities.

In 2012, we began to deploy our corporate responsibility coordination system at operating center level, which will provide us with a systematic tool for identifying human rights issues in the facility's area of interest.

Further information about Repsol and its community relations can be found in the chapter "[Local communities](#)".

## **Respect for human rights in our commercial relationships**

Repsol has many commercial relations, including partners, suppliers, contractors, commercial distributors, and any other public or private entities with a direct connection to our commercial operations, products or services. These groups include private security contractors as well as public security forces.

Repsol expects its commercial partners to respect internationally recognized human rights in the performance of their activities anywhere in the world, and to refrain from infringing the human rights of third parties. They should address any allegations or incidents of human rights breaches in which they may be involved.

We will make all reasonable efforts to prevent or mitigate negative consequences on human rights, where directly related to activities carried out as part of our commercial relationships, even where we have played no part in causing them.

To address this commitment, we continue to implement due diligence in relation to human rights before establishing any commercial relationship. We do this by means of our rating, control and assessment processes for suppliers and contractors, or by establishing contractual obligations with them and with our partners.

In this way, we exert our influence, extending our behavioral requirements to the whole of our value chain.

In the specific case of our relations with public and private security forces, we follow the recommendations of the Voluntary Principles on Security and Human Rights.

Further information on the management of human rights in our commercial relationships can be found in the "[Corporate security](#)" section and in the chapters "[Partners](#)" and "[Suppliers and contractors](#)".

## Corporate security

Repsol protects its people and facilities by promoting a culture of security with respect for human rights. To achieve this we are supported by companies specialized in security.

*100% of external security personnel in Ecuador and Peru have been trained in human rights.*

### Comprehensive corporate security management

To implement suitable corporate security management, we have adopted a systematic approach, with the necessary tools being used to guarantee the safety and security of Repsol's people and assets.

We have policies, regulations, standards, and guides that help us identify and assess the security risks that we face in performing our activities. We evaluate these, taking into account the impact on people, the company's assets and society.

We continue working to implement the Voluntary Principles on Security and Human Rights (VPSHR), especially in countries that we consider critical because of their particularly sensitive social or political situations. Some of the major actions performed over the course of 2012 include:

- Colombia: we analyzed the public order situation and the activities of violent groups in La Guajira region, as part of the prior investigation required before work could start on the RC-11 and RC-12 exploration projects. These will take place in an area inhabited by indigenous communities.
- Ecuador: we conducted an assessment into the use of non-lethal weapons in operating areas, with a view to their being adopted. The risk analysis for our exploration and production operations in Block 16 was also updated, widening the scope of the activities to those taking place outside the block.
- Libya: we filed a formal request for the code of conduct of the El Sharara Protection Force to include a specific article requiring compliance with the Voluntary Principles on Security and Human Rights (VPSHR).
- Peru: our security personnel exchanged for non-lethal weapons instead of lethal weapons. We have undertaken security risk assessment for the RLP-21 refining project at the La Pampilla refinery and prepared a crisis management and business continuity plan.
- Russia: we have included human rights in our risk analysis, specifically for the Karabashky-1 and -2 exploration and production projects in the West Siberia basin.
- Venezuela: we have prepared a risk analysis for the QE-2 gas production plant in Quiriquire.

The preparation of risk assessments, in accordance with the VPSHR, requires the inclusion of human rights risks in the general risk matrix. In this process, Repsol pays special attention to risks associated with field activities carried out in new areas or where communities are present in the vicinity.

Based on the results of these assessments, we prepare emergency, crisis and evacuation plans. These plans set out the recommendations we follow in critical situations, such as measures for employees to protect themselves if they are taken prisoner or are victims of extortion, protocols for dealing with bomb threats or the seizure of facilities, evacuation plans and the setting up of crisis committees.



During 2012, we revised and updated the expatriate evacuation plans for Bolivia, Ecuador, Libya and Venezuela. In the case of Libya, the scope of the plan also included the seismic and drilling projects planned for 2013. We also completed the evacuation plan for Indonesia and started work on those for Angola and Mauritania. In Colombia, and Trinidad and Tobago, where we already had plans in place, country crisis committees were created and presented.

### **Human rights training for security personnel**

Human rights training and awareness-raising for Repsol corporate security employees, and their consequent response capabilities in crisis situations, are essential for the integration of human rights in the company.

This training is becoming critically important for external security personnel, to ensure that their actions adhere to current national and international legislation, and to prevent arbitrary or discriminatory conduct or abuses that involve physical or psychological violence against individuals. As a result, the training of all security contractors is a company requirement.

The main training actions carried out over the course of 2012 included:

- Bolivia – All security personnel at locations where Repsol activities take place were trained in human rights and the VPSHR. 100% of external security personnel working at the Margarita Project received human rights training.
- Brazil – Relevant personnel were trained about security standards for people and facilities for operatives of the central security unit.
- Colombia – All employees with security-related responsibilities completed the company's online human rights course. All contractors have received security training, including on subjects relating to human rights and the VPSHR.
- Ecuador – As well as human rights training for corporate security personnel, a Security Week was held to train employees on what to do in the event of security incidents or emergencies. 100% of employees involved in corporate security have completed the training. This included external contracted personnel, who have all received 36 hours of security and human rights training covering the VPSHR, Repsol security standards, etc.
- Peru – 100% of external security personnel have been trained in the basic principles of the use of force, firearms and related human rights issues. Information campaigns have also been launched in the form of newsletters distributed to public and private security agents, in which human rights information is included.

In addition, corporate security personnel from Ecuador and Peru attended a workshop organized by IPIECA in Peru on VPSHR implementation guidance, intended to assist in the implementation of the VPSHR through the use of practical tools described in the guidance drawn up by IPIECA.

### **Operations in socially sensitive settings**

In some countries, governments require that the protection of critical facilities, such as those relating to energy facilities, be carried out in collaboration with the public security forces. The strategic importance of these infrastructures, vital parts of national infrastructure, can be vulnerable to the risk of terrorism or other armed conflict.

At operations of this type, Repsol takes all measures appropriate to the situation in the area and the country, placing more emphasis on the security of personnel when they are traveling and on the security of our facilities.

So that our relationship with public security forces is impartial and not interpreted as taking sides in any domestic armed conflict, Repsol formalizes such relationships through collaboration agreements that define and frame the company's responsibilities.

It is governments that are responsible for managing the protection provided by public security forces. However, in talks with governments, Repsol strives to include express references to the protection of human rights and minimum training standards for law enforcement agencies

protecting our facilities, in order that these be included in the agreements signed with the aforementioned governments.

During 2012, we entered into agreements with public security forces in Peru, Algeria, Colombia, Ecuador, Libya, Mauritania and Venezuela.

In protecting our facilities, the Repsol Policy on Corporate Security generally rejects the use of firearms by private security contractors, except in areas of serious risk or where this a requirement under national legislation.

Armed public security forces are present in seven countries. In one country private security personnel are armed solely with non-lethal weapons. In three others such personnel carry firearms.

### Security expenditure

<b>Public and private security expenditure<sup>90</sup></b>			
<b>\$m</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Private security	64.9	80.6	37.4
Public security	2.4	6.3	3.2
<b>Total</b>	<b>67.3</b>	<b>86.9</b>	<b>40.6</b>

The variation in expenditure compared with previous years is mainly due to the de-recognition of Argentina in 2012 and the commencement of activities in Kurdistan. Likewise, there was an increase in expenditure in Bolivia due to the increase in security services at certain facilities, especially the Margarita field, following the startup and entry into production of the first phase of this gas development project.

In Colombia, we obtained a significant reduction as a result of the termination of the Security Cooperation Agreement with the National Army of Colombia, owing to the closure and abandonment of the Capachos (Arauca) and El Queso (Tolima) projects. In Ecuador, our security expenditure increased due to the need to protect pipelines, and because of additional security personnel in extra-block operations.

<sup>90</sup> Data for 2010 and 2011 include expenditure corresponding to YPF, and are therefore not comparable with those of 2012.

# Our relationships

## Team Repsol

More people work at Repsol, and there are more women in all professional categories, than in 2011.

Repsol employees received an average of 42 hours of training during 2012. The number of people who work remotely now stands at 1,037, up 42% compared to 2011. Spending on employees' social benefits rose by 6.1%.

## Employment at Repsol

The number of employees and the percentage of women who work at Repsol have increased since 2011.

*Women comprise 32% of the people who work at Repsol. Of the new employees who join the company, some 42% are women.*

At the close of 2012, we had a direct workforce of 23,995. Our employees are distributed among over 30 countries, with the highest concentrations in Spain (71%) and Peru (13%). There is also a significant presence in countries such as Portugal (5%) and Ecuador (4%). Some 76% of workers belong to the downstream business (Commercial, Industrial and New Energies areas); 13% to exploration and production and LNG; and the remaining 11% to corporate areas.

Data for 2011 and 2010 have been recalculated to exclude the contribution made by YPF and YPF Gas, to allow for comparison with 2012 figures.

	2010	2011	2012
<b>Employees (number)</b>	22,888	23,623	23,995

Country	2012		
	Women	Men	Total
Spain	5,398	11,661	17,059
Algeria	9	52	61
Angola	0	2	2
Argentina	1	2	3
Belgium	1	0	1
Bolivia	56	161	217
Brazil	47	94	141
Canada	9	42	51
Chile	0	1	1
Colombia	12	13	25
Cuba	1	4	5
Dubai	3	3	6
Ecuador	118	814	932
France	4	9	13
Germany	0	5	5
Great Britain	10	22	32
Guyana	0	6	6
Holland	2	4	6
Indonesia	2	6	8
Iran	0	1	1

Iraq	2	17	19
Italy	16	17	33
Kazakhstan	2	2	4
Libya	15	85	100
Mexico	7	17	24
Morocco	1	0	1
Norway	11	25	36
Peru	1,191	1,822	3,013
Portugal	448	761	1,209
Russian Federation	49	127	176
Singapore	0	4	4
Switzerland	3	1	4
Trinidad and Tobago	65	159	224
USA	141	208	349
Venezuela	82	143	225
<b>Overall total</b>	<b>7,706</b>	<b>16,290</b>	<b>23,995</b>

Executive personnel account for 1% of the workforce; 8% are technical managers; 49% are technicians; 5%, are administrative staff; and 38% are operatives. Some 91% of the total are permanently employed and women account for 32% of the workforce as a whole.

Individuals by gender and professional category								
	2011				2012			
	Women	Men	Total	% Women	Women	Men	Total	% Women
Executive staff	38	228	266	14	44	249	292	15
Technical managers	398	1,267	1,665	24	447	1,404	1,851	24
Technicians	3,492	7,642	11,134	31	3,863	7,793	11,656	33
Administrative staff	818	338	1,156	71	784	306	1,089	72
Operatives and junior staff	2,618	6,783	9,401	28	2,569	6,538	9,107	28
<b>TOTAL</b>	<b>7,364</b>	<b>16,258</b>	<b>23,622</b>	<b>31</b>	<b>7,706</b>	<b>16,290</b>	<b>23,995</b>	<b>32</b>

### New employees

In 2012, Repsol hired 1,222 people. The company works to attract, recruit and retain people with a diversity of gender, nationality and age backgrounds. Of those joining the company, 42% were women. We work systematically to promote women in an historically male dominated industrial sector.

New employees													
	2012												
	≤20 years old		21-30 years old		31-40 years old		41-50 years old		51-60 years old		> 60 years old		Total
	F	M	F	M	F	M	F	M	F	M	F	M	
Spain	1	0	41	53	55	93	18	56	4	32	1	6	360
Peru	62	39	133	100	50	37	3	9	1	2			436
Rest of Latin America <sup>91</sup>	5	7	45	99	15	50	7	18		6			252
Rest of the world <sup>92</sup>		1	28	27	26	31	15	22	5	17		2	174
<b>Total:</b>	<b>68</b>	<b>47</b>	<b>247</b>	<b>279</b>	<b>146</b>	<b>211</b>	<b>43</b>	<b>105</b>	<b>10</b>	<b>57</b>	<b>1</b>	<b>8</b>	<b>1222</b>

Of these new employees, 201 people left the company before completing their first year, 50% women and 50% men. More than 84% of people hired in 2012 still work for Repsol. Employees who joined the company in 2012 and left before the end of the year are shown in the following table:

New hires who did not complete their first year													
	2012												
	≤20 years old		21-30 years old		31-40 years old		41-50 years old		51-60 years old		> 60 years old		Total
	F	M	F	M	F	M	F	M	F	M	F	M	
Spain			15	17									32
Peru	15	18	38	30	9	2		1	1				114
Rest of Latin America <sup>91</sup>	4	3	4	18	2	7	1	2		2			43
Rest of the world <sup>92</sup>				1	1	2	1	3		3		1	12
<b>Total:</b>	<b>19</b>	<b>21</b>	<b>57</b>	<b>66</b>	<b>12</b>	<b>11</b>	<b>2</b>	<b>6</b>	<b>1</b>	<b>5</b>		<b>1</b>	<b>201</b>

### Integrating new employees

We have made progress in delivering our Welcome and Integration Program for all new employees joining Repsol. One of the basic objectives of this program is to provide all individuals with a general knowledge of the company, facilitating interaction and offering an efficient and effective environment of collaboration.

<sup>91</sup> Other Latin America: Bolivia, Brazil, Colombia, Ecuador, Mexico, Trinidad and Tobago and Venezuela.

<sup>92</sup> Algeria, Angola, Canada, France, Germany, Indonesia, Iraq, Italy, Libya, Norway, Netherlands, Portugal, Russia, Singapore, Switzerland, United Kingdom and United States.

## Communicating with employees

Our strategy for communicating with employees takes a two-pronged approach. First, we brief them about Repsol's corporate vision. Then, we give them the information they need to do their jobs and develop professionally.

*The Employee Service Desk (SAE) dealt with 116,117 requests for information and procedural support. Of these, 68% were related to teleworking, attendance contro, reduced working hours and travel.*

In support of our communications strategy, we make the following communication tools available to Repsol employees:

Communication channel	Description
Claves newsletter	Weekly digital publication sent to managers and executive personnel. It is published in Spanish, English and Portuguese. Content includes company and business news and useful information for those with management responsibilities.
Among Us newsletter	Biweekly digital publication in Spanish, English and Portuguese, sent to all employees. Information on current news and events.
News items on the corporate intranet	Daily news and events, at international, country and local levels. News items about the company's daily activities and practical information for employees.
Conecta magazine	Magazine with quarterly print editions, including features, interviews and internally produced content on information external to Repsol. Published in three languages and distributed to all company employees.
Briefing notes	Printed notices sent to facilities where many employees do not have computer access, covering noteworthy news items about the company's current activities, including the most recent week's news and developments from the company intranet. These are posted on bulletin boards at these sites, where available.
Text messages to company cell phones	Flash text messages sent to executive personnel and managers on special occasions, such as the publication of results and business highlights.

Digital signage	Display screens installed in June 2012 and currently available in the Madrid central offices and the Puertollano industrial complex. The screens are coordinated through a central IT platform and share a combination of video, images and animations.  The content includes daily news items, videos, advertisements, posts from Repsol's social-network profiles, global campaigns, tips and instructions for employees, work center-related information, upcoming events and more.
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The Employee Service Desk (SAE) provides information, answers questions and carries out administrative tasks of different kinds at the employee's request, depending on the country. This may include processing social benefits, permits and licenses, issuing certificates and others.

<b>Number</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Information requests by employees, worldwide <sup>93</sup>	90,881	98,687	116,117

Worldwide, 116,117 requests have been dealt with. The breakdown by gender and category is as follows:

<b>Number of requests for information by professional category</b>	<b>Women</b>	<b>Men</b>	<b>Total</b>
Executive staff	309	1,383	<b>1,692</b>
Technical managers	5,265	12,033	<b>17,298</b>
Technicians	20,944	25,961	<b>46,905</b>
Administrative staff	11,881	2,482	<b>14,363</b>
Operatives and junior staff	11,105	22,014	<b>33,119</b>
<i>Category not available</i>	1,206	1,534	<b>2,740</b>
<b>Total</b>	<b>50,710</b>	<b>65,407</b>	<b>116,117</b>

The largest number of requests is concentrated in Spain. The breakdown of requests by type is as follows:

<b>Number of requests for information by type</b>	<b>Overall total</b>
Attendance control	22%
Payroll	11.3%
Compensation and benefits	11.1%
Training	10.4%
Personal data	8.4%
Cards	6.4%
Travel new application	5.3%
Labor relations	4.5%
Certificates	3.5%
Logistics	3.2%

<sup>93</sup> We have changed the information we track in this category. Through 2011, we reported the number of proceedings opened during the year. From 2012 onward, we will report the number of communications received through this channel. Data for 2010 and 2011 have therefore been recalculated and do not coincide with the data contained in last year's report.



Selection	3.1%
Pension plans	2.1%
Internal communication	2.0%
Travel	1.9%
Management by Commitments	1.3%
Teleworking	1.2%
Other	2.1%

## Labor relations

Repsol maintains strict respect for freedom of association and the right to collective bargaining. We do this regardless of the country of operation, in accordance with our commitment to the UN Global Compact.

*In Spain, the 6th Framework Agreement included a new basis for variable remuneration for people covered by the agreement.*

All Repsol employees have their conditions of work regulated by their employment contract and any applicable collective agreement.

Individuals by type of contract and gender								
	2011				2012			
	Permanent	Temporary	Total	% agreement	Permanent	Temporary	Total	% agreement
Women	6,682	682	7,364	57%	6,929	777	7,706	55%
Men	14,954	1,306	16,259	61%	14,944	1,346	16,290	59%
Total	21,635	1,988	23,623	59%	21,872	2,123	23,995	57%

	2010	2011	2012
<b>Percentage of employees with permanent contracts</b>	93%	92%	91%

During 2012, we maintained open communication and dialogue channels with workers' representatives in the different countries where we operate, and reached seven agreements, five in Spain and two in Portugal.

In 2012, we continued to operate under the 6th Framework Agreement, signed in 2011 with the most representative unions, CCOO and UGT. This framework agreement governs Repsol Group workers' conditions of work in Spain, and is being incorporated into our collective agreements in Spain. In 2012, collective agreements were signed on behalf of Repsol S.A, Repsol Comercial, Repsol Directo, Repsol Butano, Repsol Química, Dynasol, General Química, Repsol Petróleo, Repsol Trading, Relesa, Repsol Exploración and Ripsa.

In Peru, two arbitration rulings were issued relating to collective bargaining in the companies RELAPASA (Refinería La Pampilla S.A.) and REGAPESA (Repsol Gas Perú S.A.), respectively.

In Portugal, a works agreement was signed by Repsol Polímeros at Sines, in force from 1 April 2012 to 30 March 2014. And on 12 April 2012, Repsol Portuguesa, S.A. signed the ACT Petrolíferas collective bargaining agreement relating to salary review.

We also engage in dialogue with workers' representatives internationally, through the Repsol Latin America-Spain Union Network and the Repsol Group's European Works Council. The Union Network was created on 4 November 2008 to encourage attendance at its meetings by local oil and gas unions in the Latin American countries in which we are most active.

On 29 May 2012, the coordinator of the [Union Network](#) met with corporate management in Cartagena, to discuss our policies and performance on training and employing people with disabilities. In this meeting, the Second Protocol on the Functioning of the Union Network was

signed, and it will remain valid until 31 December 2015. Meanwhile, the European Works Council met at the new Group headquarters in Madrid on 4 and 5 September 2012, with the presence of the Portuguese unions UGT and CGTP, and the Spanish unions CCOO and UGT. The meeting covered a variety of issues: business and activities, 2011 results and investments, the 2012 budget, the Strategic Plan 2012-2016, employment trends in 2011 and the projection for 2012, the macroeconomic outlook, and training in the Repsol Group.

Some of our collective agreements require us to give workers' legal representatives advance notice before making operational and/or organizational changes. In Venezuela and Colombia, it is normal practice to give one week's notice. In Portugal, the Labor Code states that in the event of organizational changes, the Workers' Commission must be consulted, which then has a 10-day period to issue a (non-binding) opinion.

### **Formal complaints**

In 2012, 241 formal complaints were made against the company by its workers. Of these, 224 were lodged in Spain, resolved as follows:

- 10 cases resolved in favor of the employee
- 57 cases resolved in favor of the company
- 17 cases resolved through mutual agreement
- 140 cases that are ongoing.

Of the 17 complaints filed outside Spain:

- 1 case in Bolivia, 11 cases in Brazil and 1 case in Peru are ongoing
- 2 cases in Ecuador were resolved in the company's favor
- 2 cases in Portugal were resolved through mutual agreement

## **Attracting talent**

In a complex labor environment, Repsol has maintained its commitment to recruit, motivate and support the best professionals, offering them an attractive place to work.

*Repsol has helped reinforce the training of university students throughout the company, through more than 300 work-experience opportunities in 2012.*

We have programs for recruiting young talent, in which participants receive vocational training with a view to joining our team. In 2012, 140 new professionals were recruited through one of Repsol's three Masters programs (in hydrocarbon exploration and production, in refining, petrochemicals and gas, and in energy management). Through these programs, they have the chance to discover and understand the company's different businesses, to acquire basic knowledge about business management and decision-making models in international companies, and to develop the skills they need to become more effective as professionals, linked to Repsol's culture and management style.

To recruit talent, the company took part in more than 10 employment fairs and forums, many in towns and cities near our industrial complexes, and we held talks and presentations in schools, colleges, universities and various associations.

We have contributed to the training of university students in different areas of the company, through more than 300 work-experience agreements signed in 2012. These programs were directed at graduates and final-year students to prepare them for joining the jobs market in the future. The *Plan Impulsa* training program, which consists of online courses in generic skills, aimed at graduates on work experience, has established itself as a commitment to the training of interns, who subsequently become one of the company's most important sources of recruitment.

We have also offered vocational training placements to more than 60 students on intermediate and advanced vocational training courses. A high percentage of these individuals join the Repsol workforce in a variety of positions.

We participated in a number of outreach programs with the academic and business communities to provide work experience in the company so that young people are better qualified to face their professional future, with the motivation and skills they need. A dozen schools and colleges have benefited from these initiatives.

The development and introduction of social networks has given rise to a new model for communicating, engaging and establishing relations with different stakeholders. With this in mind, Repsol has improved its monitoring capacity and brand presence online. We have expanded our presence on social networking sites, to provide information about the company, strengthen relationships with employees and increase our recruitment capacity.

## **Improvements in selection processes**

During 2012, we performed an analysis of the assessment tools available on the market. As a result of this work, we developed new tools for identifying talent in selection processes, keeping up to date and staying in line with our corporate values.

## Retaining talent

We work to retain talent by providing internal mobility, training, on-the-job development, performance evaluation and attractive compensation.

*In 2012 3,330 of our employees took new positions in the company and 1,996 were given changes in professional category.*

We work to measure individuals' abilities, performance, knowledge and management style. On this basis, we set out the mobility, training or development actions to advance the individual's development and career plan, whether they have a management or technical profile.

For this purpose, we have worked for a number of years with the People Review and Development Center programs. These two tools work together, first to carry out reviews, and then to implement specific development plans and actions, which include new postings within the organization.

People Review assesses people in detail: their strengths, areas for improvement and professional profile. With this tool, development plans emerge that respond to the areas for improvement and build on the identified strengths.

In 2012, some 2,307 individuals were evaluated in the course of 52 People Review sessions, including 193 executive personnel.

<b>Number of people assessed</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<i>People Review</i>	<b>1,959</b>	<b>1,773</b>	<b>2,307</b>

Development Center is a tool that assesses the level of development in certain aspects of an individual's behavior through individual and group tests. A total of 14 Development Centers were carried out; 10 in Spain and 4 in other countries, with a total of 112 people reviewed.

Internal mobility provides people with the opportunity for professional development by taking on new roles and challenges. Over the course of 2012, we made 3,330 postings within the company, 35% of whom were women; this figure exceeds the percentage of women in the workforce as whole.

<b>Internal mobility</b>	<b>2010</b>	<b>2011</b>	<b>2012<sup>94</sup></b>
<i>No. of postings</i>	<b>4,370</b>	<b>4,805</b>	<b>3,330</b>
<i>% of women</i>	<b>31</b>	<b>33</b>	<b>35</b>

Each vacancy that opens produces a chain of new postings. In 2012, there were fewer vacancies than in previous years, and this in turn led to a fall in the number of postings along the chain.

In 2012, a total of 1,996 individuals were given a new professional category. Of these changes, 33% related to women.

<sup>94</sup>Data for 2012 do not take into account interim postings.

Change in category	2010	2011	2012
No. of people	2,006	2,213	1,996
% of women	34	24	33

### Performance appraisal

The *Gestión por Compromisos* (Management by Commitments) model is the Repsol performance evaluation system for people not covered by collective agreements (executives, managers and technicians).

Under the [6th Framework Agreement](#) we agreed to create a joint study committee of company and union representatives, to develop a performance appraisal system applicable to all people-management activities.

The joint committee developed this new system over the course of the year and reached a consensus on the definition of a performance appraisal process that will apply to those covered by the Repsol collective agreement, with the objective of continuously improving employees' professional development.

The agreement commits us to deploying this new system in Spain. These initial successes signal a new way of working; it promotes greater commitment for all, adapts to the diversity of Repsol's people, and enables increasing personal and professional development.

During the year, we appraised the individual performance of a total of 9,105 people, 32% of whom were women.

Performance assessment at Repsol					
	2010	2011	2012		
			F	M	Total
Number of people undergoing performance assessment and review	8,992	8,565	3,028	6,077	9,105
Percentage of total employees	39%	36%	38%		

### Turnover

The total turnover rate is calculated as the total number of staff leaving the permanent Repsol workforce in relation to the total workforce at 31 December 2012.

Total turnover rate											
	21-30 years old		31-40 years old		41-50 years old		51-60 years old		Over 60		Total
	F	M	F	M	F	M	F	M	F	M	
Spain	6%	4%	4%	3%	5%	5%	5%	7%	194%	560%	7%
Peru	28%	30%	10%	9%	4%	5%	11%	3%	0%	6%	15%

Other Latin America <sup>95</sup>	39%	21%	11%	14%	8%	10%	8%	19%	N/A	34%	15%
Rest of the world <sup>96</sup>	6%	5%	6%	8%	8%	6%	3%	4%	0%	10%	6%
<b>Total</b>	<b>14%</b>	<b>11%</b>	<b>6%</b>	<b>5%</b>	<b>5%</b>	<b>6%</b>	<b>5%</b>	<b>7%</b>	<b>87%</b>	<b>124%</b>	<b>8%</b>

We calculate the voluntary turnover rate as the number of people voluntarily leaving the permanent workforce in relation to the total Repsol workforce at 31 December 2012.

<b>Voluntary turnover rate</b>											
	<b>21-30 years old</b>		<b>31-40 years old</b>		<b>41-50 years old</b>		<b>51-60 years old</b>		<b>Over 60</b>		<b>Total</b>
	<b>F</b>	<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>	<b>M</b>	
Spain	3%	2%	1%	1%	0%	1%	0%	0%	0%	4%	1%
Peru	23%	24%	8%	7%	3%	1%	0%	0%	0%	3%	12%
Other Latin America <sup>97</sup>	27%	14%	9%	10%	8%	6%	8%	11%	N/A	24%	11%
Rest of the world <sup>98</sup>	4%	4%	4%	6%	6%	5%	2%	3%	0%	0%	4%
<b>Total</b>	<b>11%</b>	<b>8%</b>	<b>2%</b>	<b>3%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>0%</b>	<b>4%</b>	<b>3%</b>

The increased turnover rate in the Latin America (excluding Peru) is largely attributable to Ecuador, as a result of a change in the conditions of employee profit-sharing (also called utilities). This, along with a reduction in our activities in the country, has led many professionals in the sector to seek work with oil and gas service companies, which continue to allocate a higher share of profits than that established for operating companies.

### Climate survey

In 2011, we completed our third survey of employee attitudes aimed at permanent Repsol employees. Following this, in 2012 we held workshops to identify the causes of the issues raised. A total of 350 workshops were held; 150 presentations to employees; 89 presentations to management committees, and a total of 23 key aspects in people management were identified.

Throughout 2012, we defined various action plans in the company's main divisions. These took account of previous work on cause identification, along with crosscutting action lines and the 23 key issues.

The next climate survey will take place in 2014. Surveys will be carried out during 2013 in certain businesses and areas, to measure the level of acceptance and the impact of the actions implemented.

<sup>95</sup> Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Trinidad and Tobago and Venezuela.

<sup>96</sup> Algeria, Angola, Canada, France, Germany, Iran, Italy, Kazakhstan, Libya, Netherlands, Portugal, Russia, Singapore, Switzerland, UAE, United Kingdom and United States.

<sup>97</sup> Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Trinidad and Tobago and Venezuela.

<sup>98</sup> Algeria, Angola, Canada, France, Germany, Iran, Italy, Kazakhstan, Libya, Netherlands, Portugal, Russia, Singapore, Switzerland, UAE, United Kingdom and United States.

Similarly, based on the results of the 2011 climate survey, a need was identified to promote initiatives specifically for company personnel covered by the collective agreement. The main issues to be reinforced included:

- A greater level of dialogue between people managers and their coworkers
- Greater awareness of each employee's contribution to the objectives of the area/unit
- Individual identification of strengths and areas of improvement to guide development



## Training

Repsol is a company that values, promotes and facilitates employee training as a key factor in their personal and professional development.

*More than €19 million have been invested in training. Employees received an average 42 hours of training each.*

2012 saw the launch of the Repsol Masters in Energy Management. This delivers active learning for new professionals recruited to various management positions in Repsol's value chain and activity areas. This learning will cover the company's values, policies, processes, systems and the professional skills to be used in accordance with the Repsol culture. We also worked to simplify and integrate our range of ongoing training activities according to a uniform, crosscutting architecture.

We have launched or modified a number of courses related to corporate responsibility this year, including the human rights course, intended to provide basic knowledge about human rights and companies' fundamental responsibility to respect them. This also covers information on the United Nations "Protect, Respect and Remedy" framework on business and human rights.

Another important course is Leadership in Safety and Environment (PRISMA), the objective of which is to train managers to exercise safety and environmental leadership, helping to achieve a change of philosophy and business culture in favor of an absolute commitment to safety and the environment.

We have also continued to work on leaders' management style, through workshops dealing with managerial behavior, and techniques for evaluating and giving feedback to coworkers. A total of 610 managers attended the workshops. To help in reinforcing our management style, conventions were held for managers in all industrial complexes, in both refining and chemicals, and in corporate areas.

Managers were also given leadership training, with 478 people attending various programs:

Program	Attendees (number)
Communicate to lead	402
Effective leadership	53
Transformational leadership	23
Fundamentals of management	78
Advanced management	30

Our total investment in training amounted to more than €19 million, compared to €16 million in 2011, an increase of 15%. 75% of Repsol's employees received training in 2012.

	2010	2011	2012
<b>Total investment in training (€ million)</b>	10.66	16.38	19.00
<b>Investment per employee (€)</b>	466	693	792

<b>Employee annual training</b>				
	<b>2011</b>		<b>2012</b>	
	Hours of training per year	Average hours per year per employee	Hours of training per year	Average hours per year per employee
Executive staff	9,683	36	11,256	39
Technical managers	69,192	42	83,761	45
Technicians	542,022	49	648,831	56
Administrative staff	32,571	28	18,652	17
Operatives and junior staff	292,859	31	246,473	27
<b>Total</b>	<b>946,327</b>	<b>40</b>	<b>1,008,973</b>	<b>42</b>

	<b>Hours of training per year</b>		<b>Average hours per year per employee</b>	
	<b>Women</b>	<b>Men</b>	<b>Women</b>	<b>Men</b>
Executive staff	1,906	9,351	43.72	37.58
Technical managers	24,060	59,701	53.85	42.53
Technicians	236,048	412,782	61.11	52.97
Administrative staff	13,321	5,331	17.00	17.44
Operatives and junior staff	32,438	214,035	12.63	32.74
<b>Total</b>	<b>307,773</b>	<b>701,199</b>	<b>39.94</b>	<b>43.05</b>

## Compensation and remuneration systems

Our compensation system is designed to reward individual performance, at competitive market rates, appropriate to our organization.

*Remuneration is an important element in attracting and retaining the professionals that the company needs.*

We began a communication and transparency process to raise employees' awareness of the different compensation measures we offer them. This has taken the form of three initiatives:

1. Creating a personalized record of total compensation received
2. Providing information especially for employees not covered by a collective agreement about the company's compensation tools and criteria
3. Preparing salary review audits

The total compensation record is intended to provide employees with constantly updated information on all elements of their individual compensation, including fixed and variable remuneration, incentives, social benefits and others. This is currently being provided in Spain for executives and personnel not covered by a collective agreement, and it will be extended to other groups and countries in the future.

Informing employees about compensation criteria and tools is a response to one of the areas for improvement that emerged from our last climate survey. To this end, workshops have been set up with the professional groups that are managed in accordance with these tools and criteria.

Lastly, we provide audit reports for all salary review processes to meet the need to understand how this process has functioned and whether it has supported diversity of gender, nationality, and age, before rolling out any necessary improvement actions.

Also in response to the need for improved recognition, this year we worked to boost awareness of non-monetary compensation. We conducted an analysis of best practices in all countries and group businesses, as well as the impact of these practices on the working environment. We are working to compile a comprehensive overview of non-monetary compensation that will be available to managers, as well as procedures for implementing them.

In 2012, the system of remuneration by share distribution, approved by the General Meeting, remained in effect:

- The Share Acquisition Plan 2011-2012 is aimed at Repsol Group executive personnel and employees in Spain and is intended to allow those who wish to receive up to €12,000 of their annual salary in 2011 and 2012 in company shares. Share acquisition is done in accordance with the closing price of Repsol shares on the Spanish stock markets on the date that the benefit is paid out, and is available in the months of October, November and December. In 2012, shares with a total value of €9.1 million have been delivered to the 1,300 employees who opted for this plan.
- We have also developed a plan to provide shares to executive directors, other executive personnel and employees as part of multiannual remuneration programs. This will allow employees to invest a portion of their multiannual incentive in Repsol, S.A. shares. 350 beneficiaries have taken advantage of the plan in its first cycle and have acquired a total of 227,498 shares.

In relation to commercial incentives, the result of the evolution of these systems, in which each system has been aligned with the business and the market sector, was monitored. Accelerating coefficients and breaking through maximum payment ceilings if they exceed certain targets were established in some of them, ensuring that these incentives are aligned with the risk objectives.

## Variable remuneration in Spain

Our latest Framework Agreement signed with our employees' most representative unions introduces annual variable remuneration for personnel covered by a collective agreement in Spain. This year was the first in which the variable remuneration system was applied, linked to achieving the shared targets in each organizational unit.

Shared targets have been defined for this group in 47 different units, covering all company business lines in Spain.

The process of rolling out the system aims to ensure that all these individuals have firsthand knowledge of the critical challenges facing their units, and the opportunities they each have to contribute to solving these challenges, with emphasis on:

- Their activity and business context
- Requirements for improvement in their sphere of business
- The relationship between targets, indicators and business challenges
- The type of behaviors and contributions they can make, on the job, toward achieving the proposed targets
- The company's need for each of them to contribute, to build a better future for everyone
- Getting involved and engaging, to create opportunities for a greater contribution, with suggestions for improvement

## Salaries

<b>Repsol minimum wage by country</b>			
<b>(€/month)</b>			
<b>Country</b>	<b>Legal minimum wage</b>	<b>Repsol minimum wage<sup>99</sup></b>	<b>Ratio of Repsol to country minimum wage</b>
Spain	641.40	1,060.49	1.65
Bolivia	115.20	1,034.40	8.98
Brazil	246.99	568.39	2.30
Ecuador	233.60	233.60	1
Peru	234.38	234.38	1
Portugal	485	497.43	1.03
Trinidad and Tobago	273.16	1,255.89	4.60
Venezuela	224.39	356.16	1.59

Repsol employees receive pay exceeding the legal minimum wage, except in the case of Ecuador and Peru, due to the internalizations of formerly external personnel required by these governments in recent years. In these cases, the Repsol minimum salary coincides with that set by the government. In Bolivia, the difference is greater than in other countries, to reflect the country's cost of living and conditions. Wage differences also reflect the composition of the workforce and the type of business operated in each country.

<sup>99</sup> Minimum salary of lower category agreement.

## Social benefits

In 2011, spending at Repsol by type of social benefit in countries of major operations was as follows:

<b>Benefits</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
€ Thousands			
Healthcare	12,084	13,148	14,366
Meal vouchers	11,354	11,634	12,083
Funding for studies	2,131	1,742	2,227
Pension plan allocation	30,427	30,627	30,248
Accident and death insurance	3,880	4,123	5,581
Loan subsidies	585	670	637
Personal transport	13,207	11,992	13,171
<b>Total</b>	<b>75,931</b>	<b>73,936</b>	<b>78,513</b>

The breakdown by country is as follows:

<b>Country (€)</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Spain	61,291,973	62,547,193	66,225,002
Ecuador	4,831,948	4,165,913	4,828,689
Peru	4,630,288	4,276,144	5,747,613
Portugal	5,177,132	2,946,882	1,712,104
<b>Total</b>	<b>75,931,341</b>	<b>73,936,132</b>	<b>78,513,408</b>

Employees with part-time contracts or a shorter working day have different social benefits to those of their full-time colleagues.

## Work-life balance

We continue to promote innovative measures such as teleworking, flexible working hours and time management, spearheaded by the Repsol Diversity and Balance Committee.

*More than 1,000 people took advantage of teleworking during 2012, an increase of 45% on last year.*

During 2012, the teleworking program continued to expand in industrial complexes and commercial branches in Spain, and pilot telework projects started up in Peru, with 26 employees participating, and Ecuador, with 10 participants.

At the close of the year, more than a thousand people had joined the program worldwide, representing an increase of 45% on 2011 and demonstrating that positive progress is being made in developing a culture based on commitment, efficiency and the achievement of results.

<b>Teleworkers at Repsol</b>			
<b>Country</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Spain	557	690	972
Ecuador			10
Peru		1	26
Portugal	14	25	29
<b>Total</b>	<b>571</b>	<b>716</b>	<b>1,037</b>

Teleworkers include people from nearly all company areas, professional groups and age ranges. By gender, the distribution is 34% men and 66% women.

In Spain, of the 972 teleworkers, 66% are women and 34% are men (647 women and 325 men). In Ecuador, women comprise 80%, in Portugal, 69%, and in Peru 42% are women.

Teleworking provides many benefits, such as an improvement in the way employees organize their tasks and plan their work.. It also provides savings in travel time, creates a better balance between work and personal life, and results in greater concentration, productivity and motivation.

The White Paper on Teleworking was submitted and published last year. This document summarizes Repsol's pioneering experience in the industrial sector. A blog on teleworking was also set up.

Beyond teleworking, we aim for our workers to do their jobs within a flexible timetable. This enables them to adapt their working day to suit their personal needs, in line with the work requirements and in accordance with the customs, traditions and restrictions of each country or region.

## **Diversity**

We are driven by a commitment to diversity as something that sets the organization apart, improving our innovation and competitiveness. That is why promoting and managing diversity is a Repsol priority.

*We have succeeded in implementing disability working plans in six countries: Spain, Brazil, Ecuador, Peru, Portugal and Venezuela.*

During 2012, we carried out a study on managing diversity in all its aspects – culture, generation, gender, disability, and others – within the company. Covering the period 2007-2011, this study analyzed a variety of factors for our employees, including experience, talent, training, compensation, labor situation and others, to ensure we are complying with our Policy on Respect for People and their Diversity and providing equal opportunities for all our people.

The study shows that we are moving in the right direction and outlines some possible points for analysis, such as professional development of assets with greater experience.

### **Recruitment of people with disabilities**

We launched a plan in 2005 to hire more people with disabilities in Spain. As we have implemented it, this plan has transformed Repsol, which now has a total of 543 workers with disabilities; 437 in Spain, 4 in Brazil, 37 in Ecuador, 39 in Peru, 16 in Portugal and 10 in Venezuela.

In Peru, where Repsol has been the first company to adopt this approach, we have stepped up our actions to integrate people with disabilities. We have worked hard with different provincial organizations to share experiences and raise awareness in society, helping to adapt to to recently approved legislation and running external recruitment campaigns.

People with disabilities are employed in all areas of the organization, and 22% of them are qualified technicians. During 2012, we boosted the recruitment of disabled employees in the industrial area, and we have continued to carry out awareness-raising actions.

We also work in partnership with external organizations who help to support our aims. In Spain, we have a Framework Cooperation Agreement between Repsol, ONCE and their respective foundations, geared toward developing and enhancing the integration of people with disabilities.

### **Cultural diversity**

In 2011, the Diversity and Balance Committee created a new Cultural Diversity working group, with the aim of adapting management practices to the company's employees in an increasingly multicultural environment, using our diversity to our a competitive advantage. This working group is made up of representatives from across the businesses.

During 2012, this group conducted a study of employees' perceptions, possible cultural barriers and success stories, which helped to define a management model that capitalizes on our cultural wealth as a competitive advantage.

A total of 4,916 employees, worldwide, participated in the study through an online survey, supplemented by 27 focus groups and 39 personal interviews.

In 2012, talks were held with employees to promote awareness of the cultural differences in the countries where we are strengthening our presence, namely China, Korea, Brazil, Angola, Algeria and Russia. A number of workshops were held throughout the year on Executive Skills in Multicultural Environments, as well as coaching workshops for people with responsibilities within particularly multicultural environments.

Various courses were delivered in 2012 on cultural diversity:

<b>Program</b>	<b>Length (hours)</b>	<b>Participants (number)</b>
Working with South Koreans	16	15
North Korea: Social, Political and Cultural Environment	4	100
Intercultural Skills for the Repsol Technology Centre	2	157
Working in a Spanish Cultural Environment	4 hours	19
Seminar on intercultural communication	3	13
International Integration training activity	5 hours	56
Working and Integrating into International Environments (Information Systems)	1	30
Working and Integrating into International Environments (Santa Cruz, Bolivia)	2	30



## Equal opportunities

We pay our employees on an equal opportunity, non-discriminatory basis. Given equivalent positions, experience and performance, men and women enjoy the same level of pay.

*Women accounted for 35% of internal postings, and 33% of changes in professional category, which matches the distribution of the workforce by gender.*

We continue to work to achieve gender equality in Repsol's workforce, in a historically male-dominated sector.

Employees by age and gender					
	2010	2011	2012		
			Women (number)	Men (number)	% Women
Under 20	51	46	93	68	58
Between 21 and 30	41	41	1,678	2,346	42
Between 31 and 40	37	37	3,417	5,753	37
Between 41 and 50	29	29	1,774	4,076	30
Between 51 and 60	15	15	708	3,781	16
Over 60	10	13	36	266	12

Repsol's remuneration system is in line with equal opportunities and is not discriminatory, which means that, given the same position, experience and performance, men and women will be on the same level of pay.

Women's salary as a percentage of men's					
Country	Executive staff	Technical managers	Technicians	Administrative staff	Operatives and junior staff
Spain <sup>100</sup>	94	87	92	91	-
Bolivia	-	93	101	-	-
Brazil	-	80	87	-	-
Ecuador	-	65	118	-	-
Peru	-	60	55	130	-
Portugal	-	99	91	-	-
Trinidad and Tobago	-	93	83	-	-
Venezuela	-	97	78	-	-

We work to ensure diversity in our management team to include local managers in country executive teams. This gives us high-value competitive advantage, since it enables us to properly understand the expectations and needs of the societies where we operate, allowing us to offer appropriate solutions that translate into business success.

<sup>100</sup> Data from Spanish executives do not include Executive Managing, Corporate or Executive Directors.

<b>Executives and technical managers by country of origin in 2012</b>						
<b>Country</b>	<b>Local executives and technical managers</b>		<b>Total executives and technical managers</b>		<b>Percentage</b>	
	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>
Spain	1,222	1,306	1,391	1,403	88	93
Ecuador	28	28	31	43	90	66
Peru	53	60	82	68	65	89
Portugal	45	49	50	54	90	91

## **Occupational health**

In 2012, we continued to deploy a new occupational health model across the group.

*We launched the Health and Wellbeing channel on our employee intranet, with important information on employees' health and wellbeing.*

We produced a new regulation to support the development and deployment of the occupational health function. Our standards on health indicators and periodic health surveillance were also revised to adapt them to a new approach in this area.

As part of Repsol's commitment to cardiovascular health, we launched *Repsol Cardiosaludable* (Healthy Heart), a five-year plan designed to have an early impact on cardiovascular risk factors before possible damage to health increases. This year, we selected the parameters to be analyzed, and in 2013 a comprehensive action plan will be rolled out to improve their baseline levels. The parameters covered include: diet, blood pressure, diabetes, cholesterol, smoking, physical exercise, periodic health checks and cardiovascular health in women.

One important aspect in support of this initiative is the Health and Wellbeing channel, which was launched on the employee intranet at the end of the year. The channel is a way of providing Repsol employees with important information to help them look after their health and wellbeing. The channel has global scope, and provides general, country- and local-specific content.

This channel will also be an effective instrument to support the various risk-prevention and health-promotion programs that are in progress. In 2012, continued progress was made in delivering various campaigns in different countries, such as early detection of colon and prostate cancer, controlling blood pressure, preventing contagious illnesses and reducing smoking.

This year, we supplemented the usual health and wellbeing training with specific training delivered to emergency-response teams on the use of defibrillators in sites where they have been installed.

We also continued to evaluate psychosocial risks in different company units, in coordination with various occupational risk prevention services.

Lastly, we continued our national and international involvement in a number of forums and associations, to learn about organizational models, policies, trends, best practices, etc.

### **Rate of absenteeism**

The rate of absenteeism due to common illnesses among personnel covered by a collective agreement was 2.83% in Spain. Work-life balance measures have been put in place to help mitigate the rate of absenteeism, such as reduced working hours (increasing the minimum age of the employee's child to 12 years old), extended leaves of absence to care for family members (beyond legal requirements), unpaid leaves, breastfeeding leave, teleworking, and others. In addition, from the health and wellbeing perspective, various programs are being implemented to help prevent illness and improve employees' health, such as programs for vaccination, cardiovascular health, early detection of certain types of cancer, diabetes and others.

### **Occupational illnesses**

Repsol's rate of occupational illness per 200,000 person-hours worked, caused by illness or accidents at work, was 0.27 in Venezuela and in all the other countries, zero. The cases identified are largely due to hypoacusia (partial loss of hearing) induced by noise, tendonitis and pneumonitis.

Some workers are in occupations that may present a high rate of certain illnesses due to exposure to noise, physical exertion and/or repetitive movements with poor posture, the prolonged use of screens for viewing data, or exposure to toxic substances.

In some locations, there may also be a risk of contracting contagious illnesses, such as dengue fever, malaria or yellow fever. We provide vaccination programs, fumigation and pest control, among other relevant preventive measures.

To prevent occupational illnesses, a general risk assessment is carried out as a prerequisite for planning and implementing preventive action. The procedure includes general identification of risks, specific risk assessment and corrective measures with their corresponding periodic controls.

Preventive action is planned with the aim of eliminating or controlling and reducing the hazards identified. Planning also includes the appropriate emergency measures and health surveillance activities (collective and individual, using different protocols depending on the risks), as well as informing and training workers.

Individual surveillance is carried out through health examinations prior to employment and periodic examinations, in accordance with the occupational risks and the occupational health history of each person. Risk assessments may be ergonomic or psychosocial as appropriate.

In addition to these general actions, we undertake various activities, by country:

- **Spain:** flu and tetanus vaccination programs (for relevant workers). Determination of biological indicators of exposure in workers exposed to benzene, toluene, furfural and methyl ethyl ketone.
- **Bolivia:** information and prevention campaigns on dengue fever, provision of repellents, preventive information material, and fumigation and herbicides in blocks, central offices and residences. Campaign to eliminate parasites among workers and their families to prevent illnesses caused by parasites. Immunization campaigns against yellow fever, typhoid, tetanus/diphtheria and hepatitis B, among all company personnel.
- **Brazil:** annual flu vaccination.
- **Ecuador:** health diagnosis, health education, preventive examinations, fumigation and vaccination.
- **Peru:** annual health monitoring plan. Compulsory vaccination program for personnel in field operations against tetanus, yellow fever, flu, hepatitis A and B, rabies, polio, MMR and chickenpox.
- **Portugal:** vaccination.
- **Venezuela:** prevention program for ergonomic risks and good posture. Cardiovascular risk-prevention program. Early detection for breast and prostate cancer. Immunization program.

## **Local communities**

We recognize the importance of properly managing the impacts of our activities. We aspire to support the welfare and progress of the communities that we engage with, and whose spaces we share.

*Our largest operations are located in 12 countries, in which we have hydrocarbon production and development facilities, as well as refineries and petrochemical complexes.*

## **Main operations**

Repsol is an integrated company with activities in all business segments of the oil and gas industry. This includes exploration and production operations for crude oil and gas, refining activities and the marketing of petroleum products.

Our most important facilities are those with consolidated production activities, where we have established a relationship with local communities, who share our long-term objective for economic growth, social development and environmental conservation. We mainly conduct these operations at hydrocarbon production and development facilities, and refining and chemical industrial complexes.

In the exploration and production area, our main production activities take place in seven countries, through our operated assets. The facilities currently in the production phase are located in Spain, Algeria, Bolivia, Ecuador, Trinidad and Tobago and Venezuela.

There are also exploration activities which, due to the social or environmental sensitivity of the setting, make our presence significant. This is true of our exploration facilities in Bolivia, Peru and Libya.

Production activity in the Downstream area is mainly concentrated in our chemical and industrial complexes in Spain, Peru and Portugal. Repsol has five industrial complexes in Spain: Refining at A Coruña, Cartagena and Petronor; and petrochemicals at Puertollano and Tarragona. We have one further industrial complex in Peru at La Pampilla. In addition, there are four chemicals complexes, three in Spain – Dynasol (Gajano, Cantabria), Polidux (Monzón, Huesca) and General Química (Latarón, Álava) – and one in Portugal (Sines).

## Our activity and its impact on communities

Repsol takes a preventive approach in the performance of our activities. We continuously evaluate the impacts that our activity might generate on the communities around us. This allows us to prevent and mitigate negative impacts, while establishing action plans to strengthen positive impacts.

*During 2012, our environmental, safety and health impact assessments identified no significant impacts. It was therefore not necessary to introduce new prevention and mitigation measures in addition to existing ones.*

From the early phases, Repsol identifies and evaluates the impacts of its projects and operations, throughout their life cycle, on the communities, regions and countries in which they take place. Dozens of communities are directly or indirectly influenced by our exploration and production activities, and by our industrial complexes.

Through our Community Relations Policy, we have publicly stated our commitment to maximizing positive impacts and to leveraging opportunities to create shared value with local communities. Similarly, we have pledged to devote efforts and resources to prevent and minimize negative impacts, through best operating practices and active, participative dialogue with communities.

Hydrocarbon production activities are very different to those at industrial complexes; so too are the geographical contexts in which the two types of activity take place. Their impacts are also different. Below is a description of the main impacts caused by these activities in their surrounding communities.

### Industrial complexes

Our refineries and chemical complexes are primarily located in industrialized settings, close to built-up areas. This proximity allows us to contribute to the social and economic development of neighboring settlements, through direct and indirect job creation, tax payments and collaboration agreements with municipalities and other local authorities to sponsor cultural events.

The negative impacts generated by this type of industrial facility are mainly related to odors, noise and emissions into the atmosphere; and to a lesser extent fumes, discharges, the movements of heavy goods vehicles and light pollution.

To prevent and mitigate these impacts, we apply controls based on the comprehensive management of environmental aspects. As outlined in the chapter [Minimizing environmental impact](#), we are continually increasing our facilities with ISO 14001 environmental management system certification. We also have an environmental audit plan and we reinforce environmental initiatives through training and awareness-raising programs.

Some of the specific activities that we have performed to mitigate the above impacts include:

- Pretreatment of wastewater prior to storage, reduction of the number of open waste ponds, and the enclosure of water treatment plants to minimize the odors experienced by nearby communities.
- Installation of gas detectors and emission meters to provide direct and early information about possible emissions peaks. This allows us to bring down response times in the event of unusually high emissions, minimizing possible effects on nearby people. In the event of occasional occurrences of increased emissions, warnings will be sent out and an action plan set in motion to mitigate their effects.

- Use of acoustic screening and switching to electric motors that generate less noise.
- Minimization of nuisance caused by overnight work.

As well as comprehensive environmental management, we are strengthening direct dialogue with communities. We have set up accessible communication channels for all our stakeholders, which allow us to receive and handle complaints, grievances and requests for information 24 hours a day. Complaints are usually reported by telephone but may also be received in writing. When the reason for complaint is caused by the plant, the appropriate corrective measures are taken to rectify the situation as soon as possible. With situations that call for greater intervention, we give an estimate of time required to resolve the complaint.

In 2012 we received 109 communications, one of which is still in progress. The most frequent complaints are those relating to noises (39%) and odors (32%). Less frequent communications relate to emissions into the atmosphere (13%), fumes (2%) and other issues (14%).

#### Oil and gas exploration and production facilities

Our exploration and production operations present two unique characteristics: the first is they are temporary in nature; especially exploration, where activities may last only a few years, compared to industrial complexes, in operation for decades. They also tend to take place in remote locations with little infrastructure, far from population centers. This determines the design of the facilities and also plays a decisive role in the type of potential impacts caused to people and the environment.

The main environmental impacts that may result relate to such impacts as deforestation, the presence of contaminants in liquid effluents, waste, emissions into the atmosphere, noises and odors. In the event of accidents, there may be spills or leaks of contaminants. Our presence also has an influence on local communities due to the increase in vehicle, river and air traffic, the generation of dust along traffic routes, changes in hunting and fishing patterns in the area, and population increases due to settlement activity.

We design our operations to minimize the area occupied by facilities, through the use of more efficient, modular equipment, seeking self-sufficiency in the consumption of electricity and water, and optimizing logistics in the use of helicopters, boats and other means of transport. In onshore installations, this means reducing the number of roads and land access routes to facilities and wells and, in highly sensitive and hard-to-reach environments, avoiding the construction of roads altogether and using air transport instead.

Our contribution to social development in these settings takes a variety of forms: increasing local involvement by contracting local suppliers and contractors; investing in basic infrastructure to provide access to water and electricity; paying taxes and royalties for our activities; helping to create equal opportunities; and implementing social projects to benefit communities, such as the construction of health centers and the delivery of training and integration programs.

As with our industrial complexes, in order to prevent and mitigate this kind of impact, we base our activity on the comprehensive management of environmental, safety and social aspects.

To mitigate environmental impacts, virtually all of our exploration and production facilities are certified under the ISO 14001 environmental management system standard. As well as the issues already mentioned, some specific actions that we have carried out to mitigate the main impacts include:

- Installing early spill detection systems
- Using soundproofing equipment and devices
- Optimizing air, river and vehicle traffic
- Controlling the use of access routes

- Holding open and ongoing dialogue with communities to identify their needs in a timely manner and working on action plans to meet them

Areas inhabited by indigenous communities may face particular issues and require special measures to mitigate them. These are described in the [Indigenous Communities](#) section.

### **Assessing social impacts**

Repsol's Regulation for Environmental, Social and Health Impact Assessment establishes basic guidelines for assessing all impacts generated by company activities. This regulation seeks to adopt a preventive approach for people and the environment, both for new projects and those that are ongoing and which may be subject to substantial modifications.

During 2012, it was not necessary to carry out new environmental, social and health impact assessments at the industrial complexes. For hydrocarbon production installations, we carried out environmental impact assessments, which considered social and health questions, for the operations in Casablanca (Spain), Caipipendi (Bolivia), Block 16 (Ecuador) and CA129-130 (Libya). No new significant impacts were identified that would have required the introduction of additional prevention and mitigation measures.

### **Decommissioning**

When an operation reaches completion, we draw up a decommissioning plan to ensure that we take all the necessary measures to minimize the environmental, social and economic impact that decommissioning may have on communities. We also collaborate with the relevant authorities to transfer the relevant responsibilities once the company is no longer present in the area.

In 2012, we completed the decommissioning of the Capachos and El Queso blocks, both in Colombia. The decommissioning plan followed for each block included a legal assessment of liabilities, identification of impacts generated during and after the abandonment of the facilities, an environmental management plan and a social management plan.

In both blocks, we removed elements that did not belong in the natural environment, took action to recover the soil and the natural landscape of the environment, replanted the area, secured the proper disposal of the resulting waste, and implemented a program of ongoing communication with the community so that any grievances and inquiries can be duly reported and addressed. The chapter [Minimizing environmental impact](#) contains more detail on the actions performed during the decommissioning process at Capachos. We have also worked with local authorities to draw up a job creation plan to recruit unqualified manual workers, train them and provide them with employment in the abandonment and restoration phases.



## **Our community relations**

Our activities affect a large number of communities with very different characteristics. The first step in local community relations is to understand as far as possible their identity and their special social, economic and cultural characteristics.

*We work together with public authorities and social organizations to identify the expectations, needs and aspirations of the communities surrounding our facilities.*

As stated in our Community Relations Policy, community relations should be based on the principles of reciprocity, mutual benefit, integrity, responsibility, good faith and transparency – as set out in our community relations policy. For this reason, from the moment we commence activities in a community, and as early as possible in the planning of projects, Repsol creates and promotes communication channels for stakeholders to tell us their concerns and suggestions.

Through communication and dialogue, we identify opportunities to promote sustainable development in the communities influenced by our operations. The communities affected by our major facilities, including both hydrocarbon production and industrial complexes; the dialogs held during 2012 and the agreements established with them, are shown below.

**Neighboring communities at our industrial complexes**

Spain

Facility	Communities affected (population)	Dialogues held	Agreements established
<b>A Coruña</b>	<ul style="list-style-type: none"> <li>• A Coruña (250,000)                             <ul style="list-style-type: none"> <li>○ Bens (500)</li> <li>○ Nostián (100)</li> </ul> </li> <li>• Arteixo (30,500)                             <ul style="list-style-type: none"> <li>○ Borroa (50)</li> <li>○ Meicende (4,000)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Periodic meetings with local residents' associations.</li> <li>• Contacts with municipal-government representatives of A Coruña and Arteixo.</li> <li>• Contacts with regional government representatives to issues of mutual interest.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreement with the Galicia Symphony Orchestra for the promotion of music, and with the Luis Seaone Foundation for the staging of exhibitions.</li> <li>• Program of vocational training grants.</li> <li>• Sponsorship of various cultural events.</li> <li>• Supported employment program with the collaboration of the A Coruña Down's Syndrome Association.</li> </ul>
<b>Cartagena</b>	<ul style="list-style-type: none"> <li>• Alumbres (3,400)</li> <li>• Cartagena (218,200)</li> <li>• La Unión (18,600)</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration meetings with social, administrative and educational institutions.</li> <li>• Institutional involvement in public events with administrative institutions, notably Cartagena City Council.</li> <li>• Six-monthly meetings with residents' associations.</li> <li>• Occasional meetings to discuss specific actions.</li> </ul>	<ul style="list-style-type: none"> <li>• Application of a dual vocational training pilot program<sup>101</sup>.</li> <li>• Agreement for the inclusion of people with disabilities in the labor market.</li> <li>• Economic collaboration agreement and sponsorship of social and cultural actions.</li> </ul>

<sup>101</sup> Dual vocational training is that which is delivered jointly by companies and educational sites.

Facility	Communities affected (population)	Dialogues held	Agreements established
<b>Dynasol</b>	<ul style="list-style-type: none"> <li>• Marina de Cudeyo, Cantabria (5,000)</li> </ul>	<ul style="list-style-type: none"> <li>• Open days.</li> </ul>	<ul style="list-style-type: none"> <li>• Economic collaboration agreement and sponsorship of social and cultural actions.</li> </ul>
<b>General Química</b>	<ul style="list-style-type: none"> <li>• Lantarón (930)</li> <li>• Miranda del Ebro (38,900)</li> </ul>	<p>Following the incident in which the B-1 channel ruptured, causing a groundwater pollution problem, dialog has been maintained with administrative representatives (Basque regional government, Basque Water Agency, Ebro Hydrographic Confederation, local authorities) and agricultural representatives:</p> <ul style="list-style-type: none"> <li>• Meetings to agree the required actions under the impact mitigation plan and to report progress achieved on different actions.</li> <li>• We maintained ongoing communication with various government representatives and other stakeholders. This communication takes place by telephone, email and traditional mail.</li> <li>• Collaboration with schools, universities and vocational training centers for student work placements.</li> <li>• Constant contact with various administrations.</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental study to be carried out to evaluate the quality of groundwater and presentation in 2013 of a report proposing risk control and remediation measures.</li> <li>• Collaboration agreements for student work placements in factories, both with universities and vocational training centers.</li> <li>• Visits to our facilities by university students.</li> <li>• Commitment by the company to send the Basque regional government and the Ebro Hydrographic Confederation a proposal for a water remediation project for their consideration, due to be delivered in the first quarter of 2013.</li> </ul>

Facility	Communities affected (population)	Dialogues held	Agreements established
<b>Petronor</b>	<ul style="list-style-type: none"> <li>• Abanto y Zierbena (10,000)</li> <li>• Muskiz (7,300)</li> <li>• Zierbena (1,300)</li> </ul>	<ul style="list-style-type: none"> <li>• Company involvement in the Petronor monitoring committee.</li> <li>• Collaboration in preparing the municipal noise action plan.</li> <li>• Periodic meetings with local authorities, especially municipal councils.</li> <li>• Participation in “Agenda Local 21”, an initiative that seeks to share knowledge and experience in the field of responsible urban management.</li> <li>• Attendance at plenary sessions and public forums.</li> </ul>	<ul style="list-style-type: none"> <li>• Program of vocational training grants aimed at young people from municipalities close to the complex, to facilitate their inclusion in the labor market.</li> </ul>
<b>Polidux</b>	<ul style="list-style-type: none"> <li>• Monzón, Huesca (17,200)</li> <li>• Castejón del Puente (360)</li> <li>• Selgua (150)</li> </ul>	<ul style="list-style-type: none"> <li>• Annual meeting with the municipality's environment council, attended by company representatives, politicians and residents, to discuss environmental issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration with Monzón authorities to carry out cultural activities.</li> <li>• Agreements to promote sporting activities for young people.</li> </ul>
<b>Puertollano</b>	<ul style="list-style-type: none"> <li>• Puertollano: (52,000)</li> </ul>	<ul style="list-style-type: none"> <li>• The Public Advisory Panel has held five ordinary meetings, two extraordinary meetings and has given talks in residents' associations and educational institutions. Visit to the Repsol Technology Centre.</li> <li>• Periodic meetings with residents' associations, local authorities and the regional government.</li> <li>• Program of visits aimed at groups and students: more than 2,500 visited the facilities during 2012.</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration agreement with Puertollano town council to promote cultural activities, mainly geared toward children and young people.</li> </ul>

Facility	Communities affected (population)	Dialogues held	Agreements established
<b>Tarragona</b>	<ul style="list-style-type: none"> <li>• North site:               <ul style="list-style-type: none"> <li>○ Constantí (6,674)</li> <li>○ El Morell (3,514)</li> <li>○ La Pobla de Mafumet (2,948)</li> <li>○ Perafort (1,264)</li> </ul> </li> <li>• South site:               <ul style="list-style-type: none"> <li>○ La Canonja (5,723)</li> <li>○ Tarragona (133,954)</li> <li>○ Vilaseca (22,052)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Public information sessions with industries directly affected by investments included in the coastal protection plan: fishermen, ecologists and the tourism industry.</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration agreements with the municipal councils of Tarragona, El Morell, Reus, etc. focused on social and cultural objectives.</li> <li>• Agreement with the La Sínia environmental association to protect the ecology of the River Gaiá.</li> </ul>

Peru

Facility	Communities affected (population)	Dialogues held	Agreements established
<b>La Pampilla</b>	<ul style="list-style-type: none"> <li>• Ventanilla (277,895)</li> </ul>	<ul style="list-style-type: none"> <li>• Annual survey on the perceptions, needs and expectations of residents and opinion leaders; strategic social analysis.</li> <li>• La Pampilla refinery committee; meetings held with organizations, authorities and interested members of the public.</li> <li>• Program of guided tours.</li> </ul>	<ul style="list-style-type: none"> <li>• No new agreements were signed in 2012; existing agreements focused mainly on social development programs were maintained.</li> </ul>

Portugal

Facility	Communities affected (population)	Dialogues held	Agreements established
<b>Sines</b>	<ul style="list-style-type: none"> <li>• Santiago do Cacém (31,105)</li> <li>• Sines (14,260)</li> </ul>	<ul style="list-style-type: none"> <li>• Direct contact with the communities.</li> <li>• Visits by residents and student groups.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuation of a social and cultural development program, formalized through each municipality's annual protocol for donations.</li> </ul>

**Communities affected by our main hydrocarbon production operations**

Spain

Facility	Communities affected (population)	Dialogues held	Agreements established
<b>Casablanca</b>	<ul style="list-style-type: none"> <li>• Tarragona (134,085)</li> <li>• Sant Carles de la Ràpita: (15,338)</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic meetings with the confederation of fishermen's associations, to review project impacts.</li> <li>• Meeting and consultation with the Baix Ebre regional council.</li> </ul>	<ul style="list-style-type: none"> <li>• Five-year collaboration agreement with the Tarragona Federation of Fishermen's Associations, in compensation for impacts generated.</li> <li>• Agreement with the Baix Ebre regional council to guarantee the provision of a transport service adapted for people with reduced mobility and other social needs. .</li> </ul>
<b>Poseidón</b>	<ul style="list-style-type: none"> <li>• Moguer (12,000)</li> <li>• Mazagón (3,300)</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings with Moguer town council to assess possible social actions.</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration agreement with Moguer town council to finance adaptation and improvement works for the Las Peñuelas forest trail.</li> <li>• Reforestation project for an area of Moguer destroyed by fire.</li> </ul>

Algeria

Facility	Communities affected (population)	Dialogues held	Agreements established
<b>Issaouane</b>	<ul style="list-style-type: none"> <li>Nomadic Tuareg tribes (unknown)</li> </ul>	<ul style="list-style-type: none"> <li>The communities located in the vicinity of the operation are nomadic Tuareg tribes, making it difficult to conduct a census of their population or establish dialog. In addition, direct contact with these tribes is restricted in the case of foreigners.</li> </ul>	<ul style="list-style-type: none"> <li>No agreements have been established.</li> </ul>
<b>South East Illizi</b>	<ul style="list-style-type: none"> <li>Illizi and In Amenas Districts (58,000)</li> </ul>	<ul style="list-style-type: none"> <li>Official meeting with the authorities of Wilaya de Illizi to discuss water management, energy, the environment and corporate security.</li> </ul>	<ul style="list-style-type: none"> <li>No agreements have been established.</li> </ul>

Libya

Facility	Communities affected (population)	Dialogues held	Agreements established
<b>CA129-130</b>	<ul style="list-style-type: none"> <li>Ubari (30,000)</li> </ul>	<ul style="list-style-type: none"> <li>Process of requesting permit from the national oil company, the general environmental authority and the Department of Antiquities.</li> </ul>	<ul style="list-style-type: none"> <li>Sponsorship of the Libyan archaeological authority at the ancient city of Leptis Magna.</li> <li>Agreements related to cultural promotion activities.</li> </ul>

Trinidad and Tobago

Facility	Communities affected (population)	Dialogues held	Agreements established
<p><b>TSP production fields</b></p>	<ul style="list-style-type: none"> <li>• Mayaro and Guayaguayare (13,624)</li> </ul>	<ul style="list-style-type: none"> <li>• Consultations with groups of fishermen to discuss possible impact mitigation actions.</li> <li>• Meetings with greenhouse farmers for training schemes.</li> <li>• Briefings with other stakeholders for the sponsorship of community events.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreements on activities to promote culture, youth and sport.</li> </ul>

The "[Indigenous communities](#)" section contains details of the indigenous communities living within the area of influence of our operations in Bolivia (Margarita and Paloma-Suribí fields), Ecuador (Block 16), Peru (Block 39, Block 57 and Block 109) and Venezuela (Quiriquire).



## **Indigenous communities**

Repsol operates with respect for the internationally recognized rights of indigenous communities. We do this through our Policy on Relations with Indigenous Communities and its Regulation for Action in Relations with Indigenous Communities, which establish our guidelines and principles for relations with indigenous communities influenced by our activities, thereby guaranteeing respect for their internationally recognized rights.

*Repsol has a team of more than 40 people dedicated to dialogue and relations with indigenous communities affected by our operations. In response to requests from our stakeholders, more than 35% of our community relations specialists are women.*

Repsol is committed to respecting and observing the rights of indigenous peoples, adhering to our own values and commitments and complying with existing international agreements, treaties and legislation, such as Convention No. 169 of the International Labour Organization (ILO), whether or not they are incorporated into the legislation of the countries in which we operate.

Good relations with indigenous communities are as necessary for the success of our business as for the effective management of our operations. This is the foundation of our general approach to working with indigenous communities, and is the reason why we seek to construct high quality, trusting relationships in the areas where we operate. Our aim is to understand the social, environmental and economic implications of our activities, to maximize the benefits and reduce negative impacts. We accept that we cannot meet all expectations, but wherever we operate we try to do so with the support of the community.

## Relations with indigenous communities affected by Repsol's operations in 2012

Country	Facility	Affected communities (population <sup>102</sup> )	Ethnic group	Dialogue and consultation	Agreements reached
Bolivia	Margarita (development)	Five communities directly affected (Yuati, Zapaterambia, Itaparara, Kumandatori and Iguirati), and 32 indirectly affected. (2,000 people)	Guaraní	<ul style="list-style-type: none"> <li>· Monthly meeting with the Assembly of the Guaraní People of Itika Guasu (APG-IG) and constant communication with technical advisers.</li> <li>· Margarita Project Phase 2 socialization meeting, with the participation of the municipal government of Oconnor, social organizations from the municipalities of Palos Blancos, Huacaya and Villamontes, all located in the department of Tarija.</li> <li>· Consultation meeting with indigenous communities and validation of the agreement with the National Assembly of the Guaraní People (APG) and the <i>Capitanía</i> (indigenous organization) of Macharetí, to drill the MGR7 well, located in the department of Chuquisaca.</li> <li>· Various briefings held with the National APG in relation to 3D seismic project in the municipality of Huacaya</li> </ul>	<ul style="list-style-type: none"> <li>· Agreement to carry out environmental and social monitoring of the indigenous community, with the <i>Capitanía</i> of Macharetí and the National APG, in relation to drilling the MGR7 well.</li> </ul>
	Paloma – Surubí (development)	10 communities (5,000 inhabitants)	Aymara and Quechua	<ul style="list-style-type: none"> <li>· Public consultation held in the town hall of Entre Ríos, in the department of Cochabamba, with a view to implementing the development project in the Mamoré</li> </ul>	<ul style="list-style-type: none"> <li>· Signing of an annual agreement with the municipality of Entre Ríos, Cochabamba, with the participation of all indigenous community organizations in the area.</li> </ul>

<sup>102</sup> Approximate population figures

				block. The Mamoré–Bulo Bulo agricultural and livestock union federation participated in this meeting.	
<b>Ecuador</b>	Block 16 (production)	<ul style="list-style-type: none"> <li>· Five directly affected communities: Dikaro, Yarentaro, Timpoka, Guiyero and Peneno, Timpoca, Waorani communities (400 inhabitants)</li> <li>· Two affected by logistical activity: Pompeya and Indillama (850 inhabitants), of the Kichwa ethnic group.</li> </ul>	Waorani and Kichwa	<ul style="list-style-type: none"> <li>· Public hearing to present the Re-assessment of the Ex-post Environmental Impact Study (EIA), for the development and production phase of Block 16, the Tivacuno fields and the unified Bogi-Capiron field and the Pompeya and Shushufindi pumping stations, to drill 7 development wells at existing platforms (2 at Dami B and 5 at Amo A).</li> <li>· Briefing on the study “Addendum to the Re-assessment of the Ex-post EIA of Block 16 for the drilling of three development wells at the existing IRO 01 platform”.</li> <li>· Dissemination of the results of the Study on the degree of Repsol's engagement with local communities in Block 16. This action was carried out for the <i>Consejo de Gobierno de la Nacionalidad Waorani de Ecuador</i> (NAWE), the governing council of Ecuador's Waorani people, and intra-block communities.</li> <li>· Quarterly workshop to monitor the budgetary performance of the annual operating plan signed with the NAWE and community representatives.</li> <li>· Follow-up workshops to monitor adherence to agreements with intra-block communities.</li> <li>· Workshop with the NAWE governing council to approve the content of inductions received by personnel entering Block 16. Rules of conduct in dealings with Waorani communities.</li> </ul>	<p>Negotiation, conclusion and signing of agreements corresponding to:</p> <ul style="list-style-type: none"> <li>· Approval of compliance with the 2012 annual operating plan, signed between Repsol Ecuador S. A. and the NAWE; and,</li> <li>· Approval of the operating plan for January-August 2013, signed between Repsol Ecuador S.A. and the NAWE.</li> <li>· Cooperation agreement between Repsol Ecuador S.A. and the Waorani intra-block communities (Dikaro-Yarentaro), to be signed.</li> <li>· Agreement with the NAWE on hiring technical experts to assess the application and legal validity of the Friendship, Respect and Mutual Support 1993-2013 agreement, pending signature and implementation. The aforesaid agreement formally ends on 13 August 2013.</li> </ul>

				<ul style="list-style-type: none"> <li>· Presentation of projects under the Biodiversity Action Plan and the role of public institutions.</li> <li>· Induction talks for intra-block communities in relation to corporate policies on indigenous communities, contingency plan for indigenous peoples in voluntary lockouts, Convention No. 169 of the International Labour Organization (ILO), the implications of alcoholism, the handling of solid waste, the use of motorcycles by natives on the routes around Block 16, exposure and work at high temperatures, risks and action mechanisms in the event of a snake bite, and the effects of indiscriminate hunting.</li> </ul>	
<b>Peru</b>	Block 39 (exploration)	12 communities (2,190 inhabitants)	Arabela and Quechua	<ul style="list-style-type: none"> <li>· Seven briefings on the status of the exploration project and the community relations plans for 2012, with the communities of Urbina, Buena Vista, Flor de Coco, Bolivar, Soledad, Tipishca, Nueva Yarina, Muchavista, Nueva Libertad and San Rafael.</li> </ul>	
	Block 57 (exploration and development)	21 communities (10,570 inhabitants)	Asháninka, Kakinte, Machiguenga and Yine	<ul style="list-style-type: none"> <li>· 12 briefings with the authorities and communities of Nuevo Mundo, Camisea, Shivankoreni, Carpintero (Kirigueti), Nueva Vida and the Shintorini rural settlement.</li> <li>· Six assemblies to agree rights of way with the communities of Camisea, Shivankoreni and Nuevo Mundo.</li> <li>· 16 information meetings with the community authorities of Nuevo Mundo and Porotobango.</li> <li>· One assembly to agree an addendum to the Compensation Agreement for the</li> </ul>	<ul style="list-style-type: none"> <li>· Friendship and Cooperation Agreements established with the communities of Porotobango, Nuevo Mundo, Camisea, Shivankoreni, Kitepampani, Poyeni, Cheni, Puerto Ocopa, the Shintorini rural settlement and the federations COMARU, CONAP and CECONAMA, FECADS, OIRA, ECO ASHANINKA, CAD ZONAL No. 25 and ARPI SC<sup>103</sup>.</li> <li>· Three easement agreements (payment for rights of way and surface rights) with the communities of Nuevo Mundo, Camisea and Shivankoreni. One addendum to the compensation agreement for the drilling of the</li> </ul>

<sup>103</sup> COMARU: Machiguenga Council of the Urubamba River; CONAP: Confederation of Amazonian Nationalities of Peru; CECONAMA: Central Organization of Machiguenga Native Communities; FECADS: Federation of Villages of the Sepahua Area; OIRA: Regional Indigenous Organization of Atalaya; CAD ZONAL No. 25: Central Committee of Self-Defense and Development No. 25; ARPI SC: Regional Association of Indigenous Peoples of the Central Forest.

				<p>drilling of the Sagari 4X well.</p> <ul style="list-style-type: none"> <li>· Eight meetings to establish a compensation agreement for construction and drilling activities in the locations of Mapi LX and Mashira GX.</li> <li>· 18 meetings with the communities of Tsoroja, Poyeni, Cheni, Anapate, Mayapo and San Francisco de Cushireni, to report on environmental monitoring activities, awareness-raising and compliance with agreements.</li> <li>· Nine briefings with the community authorities of Tsoroja, Poyeni, Cheni, Anapate, Mayapo and San Francisco de Cushireni.</li> <li>· 12 guided visits to operations and rights of way for the community authorities of Camisea, Shivankoreni, Nuevo Mundo and Porotobango.</li> </ul>	<p>Sagari 4X well.</p> <ul style="list-style-type: none"> <li>· Compensation agreement for construction and drilling activities in the locations of Mapi LX and Mashira GX.</li> </ul>
	Block 109 (exploration)	25 communities (3,100 inhabitants)	Awajún	<ul style="list-style-type: none"> <li>- Communal assembly meetings to gain acceptance for the implementation of the Environmental Impact Study (9 meetings) with the communities of Porvenir, Nayunpin, Wawajin, Pachacutec, Huáscar, Nueva Belice, Achu, Santa Martha and Caserío La Esperanza.</li> <li>- Discussion groups at the communal assembly with authorities and citizens of eight native communities, dissemination of the “Policy on Indigenous Communities and Community Relations Practices” (8 discussion groups)</li> <li>- Communal assembly meetings: Obligatory citizen participation mechanisms: “Environmental Impact Study Workshops” in 8 communities and one hamlet (18</li> </ul>	<ul style="list-style-type: none"> <li>- Voluntary social commitment signed with the FECIDIB federation (1 Activities Plan).</li> <li>- Voluntary social commitment signed with the FERIAAM federation (1 Memorandum of Understanding).</li> <li>- Three voluntary social commitments with three native communities.</li> </ul>

				workshops). <ul style="list-style-type: none"> <li>- Supplementary citizen participation mechanisms: "Team of promoters" in 8 communities (24 talks).</li> <li>- Discussion groups with 11 native communities affected by the block: Nuevo Milagro, Nuevo Progreso, San Salvador, Sake de Yanayacu, Kait (River Cahuapanas), Achapoza Antigua, Achapoza Nueva, Buena Vista, Copal, Nuevo Pongo (River Aychiyacu), Nuevo Milagro.</li> </ul>	
<b>Venezuela</b>	Quiriquire (development)	One directly affected (500 inhabitants)	Warao	· Briefing on the results of the annual investment plan in the communities.	

### The community relations team

During 2012, we revised the requirements of our community relations professionals, to ensure they have additional knowledge of the international frameworks on the rights of indigenous peoples, primarily Convention No. 169 of the International Labour Organization (ILO) and of all Repsol's internal regulations in this field.

The number of people that carry out this work in each country where we have operations in areas inhabited by indigenous communities is as follows

<b>Indigenous community relations personnel (number)</b>				
	<b>Permanent Repsol Employees</b>	<b>Contractors</b>	<b>Women</b>	<b>Total</b>
Bolivia	5	0	2	5
Ecuador	6	0	1	6
Peru	35	0	13	35
Venezuela	1	2	3	3
Total	47	2	19	49

The number of people dedicated to this work is determined by:

- The number of exploration and production operations we have in a given country
- The number of indigenous communities at each site
- The number of communities that could be affected by our activities, even if they are located beyond the immediate site areas
- The area that must be covered by our community relations activities

Due to these factors, we have our largest number of indigenous community relations team members in Peru.

One of the major recommendations that we received in the social performance studies conducted in 2010 and 2011, for operations in areas inhabited by indigenous communities, was that we should include more women in our community relations teams. Currently more than 35% of team members are women.

### Dialogue and participation process

Repsol has a firm commitment to establishing ongoing dialogue with indigenous communities, based on respect, honesty, transparency and mutual benefit.

In Bolivia, we hold periodic meetings with the leaders of community organizations, while maintaining direct contact with members of the community through our community relations specialists. This allows us to manage any issues that have not been considered in previous agreements.

In Ecuador, where we find relatively small settlements of families with ties through friends or relatives, participation is easier because there is already contact and ongoing communication. This facilitates the full participation of community members, with announcements made directly through their leaders.

Likewise, in Peru, considering the local culture, the specific aspects of each project and the activity phase at a given time, the consultation and dialogue process includes hosting meetings, preferably through a community authority, for all inhabitants and federation representatives in each area. Traditional methods are used to achieve the greatest possible participation of

inhabitants, with meetings held in places conducive to the attendance of all identified stakeholders.

In Venezuela, continuous dialogue and links are maintained with the communal councils – the communities' own organizations designed to implement decisions the communities take.

We recognize that it is extremely important for the company that these processes must include the participation of minorities from within indigenous communities, such as women, the elderly, children and young people.

To ensure the participation of minorities, in Bolivia all communications are formally passed on to men's and women's representatives, according to the customs and traditions of the communities. In the case of the Assembly of the Guaraní People of Itika-Guasú (APG-IG), this is done through a women's representative (Mburuvicha) that exists in each community.

In Peru, provided that it does not cause conflict with inhabitants, communities or their representatives, we usually recommend that separate meetings be held with minority groups such as women, the elderly and young people. This is to better understand their economic and social roles in the communities, and their different expectations and concerns in relation to the project, though they may be reluctant to participate in communal assemblies.

In Ecuador, we have found no minority exclusion in Waorani culture, an inclusive society. Consultation and dialogue processes are therefore open and extensive, and encourage the participation of the general population.

### **Action plan for the application of the Repsol Policy on Relations with Indigenous Communities in Peru and Bolivia**

In 2010, we carried out the first study on social performance for operations that affect indigenous communities in Bolivia and Peru. This was followed in November 2011 by the publication on the [Repsol website](#) of the corresponding action plan, which included our commitments designed to align our operations with our new Policy on Relations with Indigenous Communities.

The corrective measures detailed in this plan included modifying our community relations structure, developing and implementing a plan for relations with indigenous communities, federations and associations, and delivering training workshops on social management in our operations.

The most important highlights of 2012, in the context of this action plan, were:

- We modified our community relations structure. A senior official has been appointed for each region and each country, as well as a coordinator for each operated block where we have indigenous community relations.
- We have increased the number of community relations specialists, most notably in Peru, with a 25% increase.
- We have run training courses for our community relations teams. Participants studied all Repsol regulations on indigenous community relations, as well as international and national frameworks on the rights of indigenous peoples, including the International Labour Organization (ILO) Convention No. 169 concerning Indigenous and Tribal Peoples in Independent Countries.

These courses were provided to all community relations team members in Bolivia, Ecuador and Peru. Two of these workshops in Peru were attended by an international development NGO, a standard bearer in the defense of indigenous rights.

- We have developed and implemented community relations plans for indigenous people's federations and associations, which represent the communities that we affect, particularly in Peru and Bolivia.

In Peru, this has allowed us to develop community relations plans with these institutions, in projects such as the development of the southern area of the Kinteroni field in Block 57, 3D seismic work, drilling operations at 21 exploratory wells in Block 39, and 2D seismic operations in Block 109.



Through our plan in Bolivia, we have maintained constant contact with the Assembly of the Guaraní People of Itika Guasu (APG-IG) since the signing of the 2010 Friendship and Cooperation Agreement, and we have expanded our relations with the National Assembly of the Guaraní People (APG). This enabled the signing of an agreement to monitor indigenous society and the environment during drilling activities at the MGR7 well, in the Caipipendi block.

We are producing detailed reports of these activities for publication in the first half of 2013.

*More information on the action plan for indigenous relations in Peru and Bolivia at [comunidades.repsol.com](http://comunidades.repsol.com)*

In 2011, we carried out a second study in Ecuador. In 2012, we worked to prepare an action plan to respond to the study's recommendations. This plan will be published on the company website during the course of 2013.

*More information on the Policy on Relations with Indigenous Communities and the Regulation for Action in Relations with Indigenous Communities at [comunidades.repsol.com](http://comunidades.repsol.com)*

#### **Visit of civil society representatives to Block 16 in Ecuador**

In November 2012, as an exercise in transparency, Repsol organized a visit by a group of six experts from Spanish civil society organizations to one of its main crude oil production operations in Ecuador, Block 16, located in Orellana province in the Amazon, where we have been involved in exploration and production activities since 1999.

During the visit, members of the delegation had the opportunity to visit the North and South Production Facilities (NPF and SPF), and were fully briefed by the company's technical management personnel about the facilities' complex operating processes.

The group also had the chance to hold independent talks with representatives of our stakeholders in Ecuador, including leaders of the local Waorani and Kichwa indigenous communities, local government officials and members of civil society.

#### **Community resettlements**

Whenever possible, Repsol will seek to avoid resettlement of indigenous communities away from their traditional, historic, ancestral or communally owned lands.

Where such resettlements are unavoidable, we must ensure – before taking any further steps – that the process will comply with legal obligations and with provisions of the relevant ILO core conventions, i.e. public authorities have complied, or have sufficiently guaranteed compliance, with the guidelines set forth in their legal system in relation to the provisions of Article 16 of Convention No. 169 of the International Labour Organization.

Repsol did not carry out any resettlement of indigenous communities in 2012.

### What disputes have arisen?

In Peru:

- On 9 May 2012, the Peruvian media reported that seven Repsol workers had been detained by inhabitants of a community in Cahuapana, in the province of Datem del Marañón, department of Loreto, for three consecutive days. These reports also claimed that the inhabitants were refusing to allow the entry of oil companies to carry out exploration work in Block 109.

The initial assertion contained in these reports is not true: none of our workers, contractors or subcontractors was detained. The events that took place were as follows: On Saturday 5 May, our community relations personnel were in the native community of Santa Martha, located on the Unguyacu stream of the Cahuapanas River, waiting for three boats that would arrive the following day with supplies and medicines for our personnel, and supplies and hardware for the community of Santa Martha. On 6 May, two of these craft were traveling along the Unguyacu stream from the Cahuapanas River when they were halted by inhabitants of the native community of Santa María de Cahuapanas. The cargo and the boats were stolen. The following day, the third vessel was stolen. The crew of the three boats were taken to the community of Santa Martha unharmed. In this community, they met with our community relations specialists, who left the community in a helicopter on 8 May, having finished their fieldwork.

The owner of the riverboats formally reported the theft to police. Various meetings were convened by police, tax and native authorities in the community of Santa María de Cahuapanas and in the city of San Lorenzo. We were invited to attend some of these meetings. Repsol has refused to attend these meetings until the boats are returned to their owner.

Repsol intends to operate in the territories around the native community of Santa Martha, whose inhabitants have accepted exploration activity in their territories.

However, river access to this region is via the territories of the native community of Santa María de Cahuapanas. This community is not located within the block in question and has not agreed to oil activities being carried out inside its territory. Repsol has respected this decision at all times, and we have withdrawn planned exploration activities from their territories.

We provide accessible communication channels for all our stakeholders, which allow us to receive and attend to complaints, grievances and requests for information, 24 hours a day. We work to identify and correct situations that may cause conflict as soon as possible, so that we can reach agreements with communities without recourse to civil or judicial channels. At this time, we have no significant disputes with the indigenous and local communities located within the area of influence of our operations.

*More information on the Policy on Relations with Indigenous Communities and the Regulation for Action in Relations with Indigenous Communities can be found at [comunidades.repsol.com](http://comunidades.repsol.com)*

## Our community investment

We carry out social investment projects through our foundations in Spain and Ecuador, our corporate divisions and businesses, and through the volunteer efforts of the people who work at Repsol.

*In 2012, Repsol allocated €34.09 million to investment programs through our foundations, businesses and divisions.*

We contribute voluntarily to community development and welfare in our locations of operation. Through our social investment projects, we work to meet the needs of the community. Through this commitment, we try to respond to community expectations, always with a focus on their long-term benefit, providing them with the tools for their own development.

Our social investment projects are very diverse in nature and in some cases are supported by civil-society institutions and organizations. This allows us to contribute value to the communities, through initiatives that range from training and capacity-building to the development of basic educational infrastructure, access to drinking water and healthcare.

In 2012, spending on social investment by the company and our foundations came to €28.98 million, of which €24.05 million was spent voluntarily and €4.93 million to meet contractual or legal obligations.

Repsol also spent €5.11 million via other contributions, programs or actions to benefit the community, as a result of environmental, social and health impact assessments.

More than 70% of our 2012 investment was allocated in Spain, Peru, Bolivia and Ecuador.

Data for 2011 and 2010 have been recalculated to exclude social investment undertaken by YPF and the YPF Foundation in previous years, to allow for comparability with 2012 data.

### Voluntary social investment

This includes the social programs that the company carries out voluntarily, or which arise from voluntary agreements with communities.

Voluntary social investment			
€ Millions	2010	2011	2012
Social investment	23.74	24.87	24.05

Social investment projects are defined according to the following categories:

- **Strategic social investment:** These are social programs that align with our business objectives, offering a return for the company such as the acceptance of our presence in the community, providing access to vocational training that can lead to recruitment, or other outcomes of mutual benefit to society and to the company. In 2012, this investment amounted to €9.62 million.
- **Institutional social investment:** These include all other contributions, such as membership dues for industry and multi-sector associations to which Repsol belongs, philanthropy, funding of non-profit organizations, sponsorship, patronage and charitable marketing activities, among others. The total sum of this investment was €14.43 million in 2012.

We use the methodology of the London Benchmarking Group (LBG) to report social investment, which allows for a consistent means of categorizing and comparing our social investment with that of other companies. It also guides us in the criteria we use to report our community contributions:

- Contribution in cash: The monetary amount that we spend on social investment projects
- Contribution in time: The cost of paid working hours of our employees who have spent their time doing project work in the community
- Contribution in kind: Products, equipment, the use of company facilities and other non-monetary resources we provide
- Management costs: The the expenditure incurred in the general management of social investment projects

The “Type of contribution” table provides a breakdown of the amounts allocated to each type of contribution in 2012:

<b>Social investment by contribution type</b>	
<b>€ Thousands</b>	<b>2012</b>
Contribution in cash	21,456
Contribution in employees' time	690
Contribution in kind	1,104
Management costs <sup>104</sup>	803
<b>Total</b>	<b>24,053</b>

Investment is also broken down by project type. Contributions are presented in the table “Social investment by type of project”.

<b>Social investment by project type</b>	
<b>€ Thousands</b>	<b>2012</b>
Education and training	3,709
Local community development	9,348
Social integration	4,229
Health	2,072
Environment	535
Art and culture	2,050
Humanitarian aid	280
Membership dues	702
Other	1,128
<b>Total</b>	<b>24,053</b>

<sup>104</sup> In 2012, management costs were estimated according to the time that the people responsible for social investment devoted to management and administration activities. On average, it is estimated that 5% of the working day was set aside for this activity.

Our voluntary social investments are distributed across our major countries of operation:

<b>Voluntary social investment by country</b>			
<b>€ Thousands</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Spain	12,319	14,114	13,992
Peru	4,830	4,503	4,822
Algeria	458	235	26
Bolivia	1,164	1,366	1,440
Brazil	738	677	600
Colombia	275	223	61
Ecuador	1,576	1,495	1,682
Libya	671	636	309
Mexico	34	12	8
Portugal	390	222	449
Trinidad and Tobago	411	388	209
Venezuela	131	296	274
Other	740	702	181
<b>Total</b>	<b>23,737</b>	<b>24,869</b>	<b>24,053</b>

In Algeria, our social investment expenditure reflects our actual level of activity, which has diminished in recent years.

Similarly, the decrease in investment in Colombia reflects the fact that virtually all social programs were delivered and concluded in 2011. There were no additional requirements, given that projects were in decommissioning and abandonment phase during 2012.

### **Obligatory social investment**

These are contributions that we make as a result of legal, regulatory or contractual requirements. They may be fully managed by the company (through social programs) or by a third party (such as the national hydrocarbon company, institution or government agency) to whom our contribution is transferred.

During 2012, we made these contributions in Brazil, Mexico and Venezuela, for a total of €4.93 million. The table "Social investment by type of contribution" states the amounts allocated in 2012.

<b>Obligatory social investment by country</b>			
<b>€ Thousands</b>	<b>Voluntary contribution</b>	<b>Obligatory contribution</b>	<b>Total</b>
Spain	13,992	0	13,992
Peru	4,822	0	4,822
Algeria	26	0	26
Bolivia	1,440	0	1,440
Brazil	600	2,003	2,603
Colombia	61	0	61

Ecuador	1,682	0	1,682
Libya	309		309
Mexico	8	37	45
Portugal	449	0	449
Trinidad and Tobago	209	0	209
Venezuela	274	2,888	3,162
Other	181	0	181
<b>Total</b>	<b>24,053</b>	<b>4,929</b>	<b>28,982</b>

### Other contributions

These are contributions that the company provides to communities to account for impacts caused during project activity, and which have been identified by environmental, social and health impact assessments. These contributions can be made in cash or through the running of social programs, remediation programs or others.

In 2012, Repsol spent €5.11 million on this type of contribution in Spain, Peru, Bolivia, Colombia, Indonesia and Mauritania, as outlined in the table "Other contributions".

<b>Other contributions</b>	
<b>€ Thousands</b>	<b>2012</b>
Spain	121
Peru	691
Bolivia	30
Colombia	133
Ecuador	91
Indonesia	290
Iraq	77
Mauritania	3,677
<b>Total</b>	<b>5,111</b>

### Main Repsol Foundation initiatives

We aim for society to benefit from our initiatives. The following projects, delivered over the course of the year through the Repsol Foundation, illustrate how this type of collaboration can improve our situation and our relations with our society:

- Rural heating project in Capaso, Peru: Repsol Comercial Peru, along with the Repsol Foundation, launched a rural heating project to improve the quality of life of families in Capaso, Peru, during the cold season.
- Startup of accident and emergency, pediatrics and pediatric ICU services in the San José Obrero Hospital in Bolivia: We collaborated on the construction and equipping of the buildings containing pediatrics, pediatric intensive care and accident and emergency, as well as the construction of a reception desk and vehicle entrance for accident and emergency. Located in Portachuelo, 72 kilometers from the city of Santa Cruz de la Sierra, the hospital benefits the inhabitants of the area and directly influences four rural communities with a combined population of around 20,000.

- Organ donation and transplant program in Trinidad and Tobago: We worked with the Donation & Transplant Institute on the organ donation and transplant system for Trinidad and Tobago. This initiative aims to improve donation rates and equal access to the Trinidad and Tobago transplant system. The program benefits healthcare professionals, including doctors and nurses, and the 500 patients on the waiting list for a transplant.
- Construction of the CIDI child development center in Colombia: we continue to support the *Centro Integral de Desarrollo Infantil (CIDI)*, a child development center in Cartagena de Indias, a collaborative project with the Juan Felipe Gómez Escobar Foundation that commenced in 2010. The center was constructed and equipped to deal with health needs in the area, to help reduce infant mortality. During 2012, the center benefited 120 infants under the age of 12 months, and their mothers.
- Nutritional Security in Peru: we worked with the World Food Programme (WFP) on the promotion of food security and nutrition for anemia reduction in Angamos, Ventanilla. This aims to reduce the high rate of anemia among breastfeeding women and children. The project aims to benefit 1,700 children and more than 2,200 women.

## Repsol Foundation

The Repsol Foundation channels many of Repsol's social and cultural schemes in the countries where we operate. In 2012, this commitment was strengthened through projects pertaining to energy and the environment, social integration and art, science and culture.

### **Entrepreneurs Fund:**

In 2011, the Repsol Foundation launched the Entrepreneurs Fund, the first business incubator for energy efficiency projects. In each annual round, the Entrepreneurs Fund submits participating projects to an evaluation and selection process, with the help of a number of energy and business-management experts from academia, enterprise and government, as well as technology and research centers, industry associations and technology transfer offices.

The purpose of the Entrepreneurs Fund is to support projects over the course of a business incubation process of up to two years, coordinated by the Repsol Foundation. During this time, entrepreneurs receive a monthly allocation of between €6,000 and €12,000 per project, as well as business, commercial and legal advice and training. Entrepreneurs are supported by tutors, individuals with recognized business experience, who help them in their planning and decision-making. The selected projects are also provided with physical space in the Entrepreneurs Fund incubator, located in the Repsol Technology Centre (CTR).

In June 2012, the seven projects selected by the jury of the Entrepreneurs Fund in the first round were announced. The projects were diverse in nature: projects for wind and wave power generation, a power transmission system, microchips for online bacterial detection, a monitoring system for energy transport and distribution networks and a project to generate electricity from residual heat.

The seven selected projects which commenced their business incubation in 2012 were:

- Alphasip Micro4ener: Micro-systems for the online detection of micro-organisms
- Deutechno: VORTEX, piezoelectric wind turbines
- D&B Tech: Bubble generation and aquaculture tanks
- FOCUS: Temperature monitoring in energy distribution lines
- Osmoblue: Electricity generation from low-temperature residual heat
- Powertrack: CVP, continuously variable powertrain transmission
- Sendekia: Wave-powered turbine for electricity generation

The second round of the Entrepreneurs Fund commenced in June 2012, and closed in November. In the second round, participation was up 17% on the previous year; a total of 479 proposals were received.

The Foundation provided the Entrepreneurs Fund with an allocation of €1.6 million.

### **Volunteering by Repsol employees:**

In its first year of activity, Repsol's employee Volunteering Plan covered a wide range of ongoing and one-off initiatives, including those aimed at training young people, helping the disadvantaged, promoting values, cooperation between generations, as well as sports, restoring the environment and recovering spaces. All these initiatives are included in consolidated and defined programs.

The plan is designed to address the social concerns of our employees and our nearby environment, while making a positive impact on society through volunteering.

2012 was a period of growth and consolidation for the Volunteering Plan. The results over the course of the year bear witness to this fact, with an increase in both the number of activities and



volunteers participating. More than 1,000 volunteers participated in nearly 200 activities, directly benefitting more than 48,000 people from different social groups, and more than 530,000 people indirectly.

New activities included those emphasizing the participation of Repsol seniors in volunteering activities. In recognition of the work of Repsol volunteers since the launch of the Plan, the Repsol Foundation organized the first Volunteers Day on 2 December.

This year the Foundation has taken part in different events related to volunteering, notably the Volunteering Innovation Summit. It has also joined a number of international projects, such as *Madrid por Madrid* and *Voluntare*.

### **Telefónica-Repsol Foundation Chair**

The Repsol Foundation works with the Madrid Down Syndrome Foundation (FSDM), Telefónica and Madrid's Comillas Pontifical University to endow the Telefónica-Repsol Foundation Chair for Family and Disabilities. The objective of the chair is to research and enhance the quality of life and the welfare of people with learning disabilities and their families, with a multidisciplinary, innovative, critical and socially committed approach.

The chair focuses on four activity areas:

- Research and innovation: Implementing and promoting projects in the sphere of learning disabilities
- Training and consultancy: Organizing scientific meetings, forums, seminars, spaces for meeting and reflection, and collaborating in the training of professionals
- Communication, dissemination and knowledge management: Publishing research findings and setting up a specialized and constantly updated documentary base
- Awareness-raising: Maintaining cooperation and exchange between the academic world, professionals and associations, and promoting volunteer associations, as well as family-oriented information and training initiatives

In the context of this chair, three training programs are delivered – assistant technician in educational environments, assistant technician in administrative management and assistant technician in technological environments – all of which are intended to improve the inclusion of people with disabilities in the classroom.

### **Repsol Foundation Ecuador**

During 2012, Repsol Foundation Ecuador supported five new projects . Here are some of them:

**Enterprising education for the advancement of my region**, carried out by the Junior Achievement Foundation. As part of the community support and development framework program created by Repsol Ecuador in the Ecuadorean Amazon, populations located within the direct area of influence of the SPF-OCP oil pipeline route are eligible for social action projects. One of the priorities identified within these communities is enterprise education and training. In general terms, the project encompasses the training of high-school teachers and students in the area, as well as the development of educational incentives. The purpose is to enhance the quality of education, ensuring development of productive enterprise within the Amazon region.

**Organizations and productive strengthening of women and young people in Sucumbíos**, implemented by the Comprehensive Development for the Future Foundation (FUDEN). The project integrates 500 women and young people from the cantons of Lago Agrio and Sucumbíos, in the Ecuadorean Amazon, in organizational and productive development processes. The project aims to enhance skills and quality of life at family and community levels. It also creates and strengthens micro-enterprise initiatives led by women and young people, and boosts employment in keeping with the principles of social and economic sustainability,

food security and environmental conservation.

Through this initiative, 400 women and young people are participating in 125 organized projects and they are now earning a living in fields such as fish-farming, pig-, calf- and chicken-rearing, handicrafts, baking and service activities such as catering, hospitality and community tourism, among others.

The current priority is to support development in Amazonia, in Block 16, where indigenous and mixed-race communities are located in territories directly influenced by Repsol Ecuador operations. The sustainability of this program is guaranteed by the backing provided by Repsol Ecuador, along with its partners in Block 16.

**Enhancement of financial services in rural areas of Orellana and Sucumbíos Provinces as a productive development alternative**, rolled out by Red Financiera Rural (Rural Financial Network). The project, financed by the Repsol Foundation Ecuador, introduces comprehensive financial products and services in marginal rural and urban areas in eastern Ecuador. We have collaborated with the Cooperativa COCA and the Microenterprise Development Fund (FODEMI) to enhance and implement services for local people.

The project duration is 30 months, after which it is estimated that approximately 10,000 entrepreneurs or micro-entrepreneurs will have access to financial services. It also envisions that economies of scale will be made in the area, benefiting around 30,000 individuals, including the families of entrepreneurs and other agents in the local economy.

Further information on Repsol's social investment projects in each country can be found at [comunidades.repsol.com](http://comunidades.repsol.com)

Further information on the Repsol Foundation and all its programs can be found at [fundacionrepsol.com](http://fundacionrepsol.com)

# Our partners

## Acquisition of new assets

Before we acquire an asset, we assess its existing and potential risks. In doing so, we pay special attention to such aspects as affected communities or impacts resulting from earlier phases of work.

*In 2012, we carried out three due diligence processes in respect of new assets without prior operational activity.*

Prior to acquiring a new asset – or formalizing a merger, alliance or joint venture – we follow a due diligence process, which includes the assessment of environmental risks that may arise in the future.

These assessments assume particular importance in socially or environmentally sensitive areas, such as those where indigenous communities are present, where there is a great deal of biodiversity, or where there are exceptional safety concerns. In such instances, ethical and social questions are also included in the risk assessment.

In 2012, we carried out three due diligence processes in “green fields” – new areas without any previous operational activity. In conducting these analyses, we followed the requirements laid down in our corporate regulations, focusing on issues related to health, safety and the environment. We paid special attention to biodiversity, analyzing the sensitivity of the environment and how it could be affected by future industrial activities, in recognition of the areas’ characteristics.

It is important to highlight that the comprehensive due-diligence process involves different company areas. The Audit and Control Department, at the request of the business units or the company's legal services, contributes to the completion of audits before the acquisition of assets.

We also assess corruption-related risks, and consider such aspects as insufficiently justified payments, in our due diligence audits.

Further information about our relations with our partners can be found at  
[www.socios.repsol.com](http://www.socios.repsol.com)

## Relations with our operating partners

We use our capacity for influence to convey our ethical, environmental and human-rights standards to our partners, in activities where we are not the operating partner.

*We hold stakes in 240 oil and gas blocks, located in 17 countries, in which we do not control the operation.*

At 31 December 2012, we held interests, without being the operating partner, in 240 blocks located in 17 countries. Of these blocks, 206 are currently in the exploration phase, 22 are under development and in the 12 remaining blocks we have a services contract.

The reduction in the number of non-operated assets, in comparison to 2011, is due to the non-inclusion of blocks in which YPF held a stake, and which are no longer consolidated following the nationalization of our Argentinean subsidiary. Likewise, in 2012, we ceased our participation in non-operated blocks located in Saudi Arabia, Algeria and Oman.

We expect our operating partners to respect the applicable local law in the performance of their activities, as well as the international standards with which our regulations are aligned.

Relationships with our partners are formalized by means of Joint Operating Agreements (JOAs), which define the responsibilities of all the parties and, in particular, the operating partner.

During 2012, we completed the review of our new model JOA, to include extensive provisions on human rights, and to revise the status of safety and the environment. This process, in which we worked with the model JOA of the Association of International Petroleum Negotiators (AIPN), involved revising and reinforcing the following aspects:

- **Human rights:** clauses were included that expressly stipulate that operations must be carried out with respect for internationally recognized human rights, by performing human-rights risk assessments and implementing the actions needed to avoid and prevent human-rights impacts that may be caused by the operations we take part in. Special mention is made for indigenous communities and respect for their specific rights.
- **Safety and environment:** our JOA requires periodic reporting of safety and environmental incidents, as well as the corrective measures implemented to prevent them from being repeated. It also requires periodic assessments to verify compliance with the safety and environmental plan; this in turn carries the possibility of annual audits carried out by an external agent.

Five negotiation processes with partners, using the new model JOA, were initiated in 2012 and are currently ongoing.

While an operation is ongoing, we notify our partners of our corporate responsibility requirements primarily via the technical committees, in which partners take account of the status of the operation, examine its impacts, and plan mitigation and remediation measures.

In countries such as Bolivia and Venezuela, we also rely on the involvement of Repsol secondees in day-to-day activities at non-operated assets, who occupy safety and environmental management positions, wherever possible. A secondee is a Repsol employee who temporarily works for another company, in this case in the operation of an exploration or production block for which the partner is responsible. This is a role that is often employed assigned when implementing joint projects and operations where Repsol is not the operator.

This is another way in which we exercise influence, extending our conduct requirements to our partners.

Further information about our relations with our partners can be found at  
[www.socios.repsol.com](http://www.socios.repsol.com)

## Controls in non-operated assets

Repsol performs audits on the assets in which we hold a stake but are not the operator, as part of our efforts to prevent potential impacts arising from our partners' activities.

*In accordance with the audit plan implemented during 2012, we carried out 42 studies of non-operated assets.*

When auditing a non-operated asset, we analyze its location, environmental setting, type of operation, partners and other factors. During 2012, the Audit and Control Department carried out 42 audits of non-operated assets and their contracts, as part of a plan put in place in 2012, to audit all of the company's non-operated assets.

The scope of this work varies according to the audit rights established for the asset, and may include:

- Verifying the fulfillment of contracts by the operator and other partners
- Checking transactions and payments made by the consortium
- Production sharing
- Internal control processes
- Analysis of technical aspects

During the audit, we assess expenses to ensure they are sufficiently justified by the operator of the asset, to identify situations which may give rise to claims of corruption. All discrepancies are examined in detail and verified with the operator.

Once potential breaches are analyzed, they are formally reported, in writing, to the appropriate parties, including Repsol's senior management.

At the same time, we recommend appropriate measures be taken to prevent this type of event from recurring. Depending on the severity of the cases detected, these may include strengthening existing controls or introducing additional controls. If actions must be taken urgently, there are additional means of reporting, both internally and to partners, such as issuing audit notes, sending formal letters and holding meetings with the committee responsible for operational control.

Further information about our relations with our partners can be found at  
[www.socios.repsol.com](http://www.socios.repsol.com)

# Suppliers and contractors

Our regulations and our supply chain management system give us the tools to detect non-compliance and to ensure that our suppliers and contractors conduct themselves in accordance with our principles.

*We have been continually increasing the information that we request from our suppliers. We question them about issues such as respect for human rights and their approach to combating corruption, bribery and fraud.*

## Responsible management of contractors and suppliers

Repsol is building corporate responsibility into our supplier rating process. This includes environmental, safety, ethical and human rights aspects.

We have been continually increasing the information we request from our suppliers. In our supplier questionnaires, we assess sustainability matters, such as whether the supplier is a signatory of the United Nations Global Compact, or whether they have anti-corruption or human-rights policies, among other issues.

As part of this process, we have exclusion criteria based on the information the supplier provides. This means that if there is a negative response to questions on respect for human rights and their company's stance on, and combating of, all forms of corruption, bribery and fraud, we will assign a "Not Accepted" status. This means that the supplier will not pass the qualification process and will not be authorized to take part in calls for tender, or be awarded orders or contracts.

We incorporate corporate responsibility into the supply chain management process, through both the supplier questionnaires and our supplier audits:

- Questionnaires: Suppliers are asked about their position on human rights, labor practices, preventing discrimination, corruption, bribery and fraud. This information is assessed along with other criteria (financial, technical, management systems, references, etc.) included in the process.
- Audits: In the case of high criticality goods or services, we include a specific section on "Ethics and Human Rights" in the audit guide used for supplier ratings. When audits are carried out, we verify two main issues at the suppliers' own facilities:
  - Respect for human rights, with questions addressing issues such as forced labor, child labor, discrimination and abuse, working hours, remuneration, freedom of association and collective bargaining
  - Combating fraud and corruption

In addition, during 2012 we interviewed suppliers' staff within the scope of the supplier rating audit. These interviews apply to workers' representatives and, in particular, members of vulnerable groups. We never include company management.

Repsol's General Conditions for Purchasing and Contracts provides that suppliers and contractors must comply with current laws and other regulations such as the core conventions of the International Labour Organization relating to labor rights and provisions on health, safety and the environment.

During 2012, we have worked to draw up an Ethics and Conduct Code for Suppliers. In this code, we sets out our expectations of suppliers involved in our operations, products or services, defining the behavioral framework that must guide our contractors' actions.

### Managing subcontractors

We work to improve the social and environmental standards of our suppliers, requiring them to apply similar principles when managing our subcontractors.

We plan to include a clause within the Repsol General Conditions for Purchasing and Contracts that extends the reach of corporate responsibility to our subcontractors, ensuring that they also comply with the required ethics and human-rights regulations.

Subcontractors working within our facilities or operating areas are also subject to Repsol's supplier ratings according to their activity type. The level of criticality at which they are rated may be less than that of the corresponding contractor, provided that the rating is supplemented by an action protocol specifying the inherent requirements of the project or activity area, which these companies must meet. These requirements must align with the requirements their activity, taking into account the type of facility where they will operate.

Another positive contribution will be made, as a result of these principles, when we begin to raise awareness of the Ethics and Conduct Code for Suppliers, since we are requesting that our suppliers also disseminate this code through their own supply chains.

### Rating of contractors and suppliers

Since they came into force in 2006, our supplier ratings have been updated in accordance with our corporate-wide system of policies and practices. For this reason, if a large number of suppliers were awarded contracts or orders and were validly qualified to supply the goods or services that they bid for, there is no need to carry out new rating processes.

At the beginning of each year, we draw up a global rating plan for the entire company, approved by the Purchasing and Contracts Functional Committee (CFCC), which we supplement with supplier-rating requirements that arise from the forthcoming calls for tender. This plan is updated on a daily basis, to reflect changing requirements.

Our process includes new suppliers rated for the first time, though the large majority of our rating processes are to update suppliers that have already had commercial relationships with Repsol (either through participation in tenders or awards thereof).

Supplier ratings are valid for four years, during which time the supplier is authorized to participate in calls for tender and, if successful, be awarded the corresponding orders or contracts.

During 2012, the number of suppliers completing the rating process fell from 1,339 suppliers qualified in 2011, to 1,182 in 2012; a fall of 11.7%. The reason for this is that Repsol already has an extensive list of qualified suppliers, and every year the majority of those who pass the rating process are those whose qualified status has expired; and to a lesser extent, new suppliers with which Repsol has not had any previous commercial relationship.

Supplier and contractor rating processes.			
	2010	2011	2012
<b>Suppliers of goods:</b>			
Qualified	1,074	384	387
Provisionally qualified <sup>105</sup>	8	10	19

<sup>105</sup> On some occasions a supplier may be "temporarily qualified" when it is found that it fails to comply with some minor requirement that prevents it from being classified as "qualified". This is a temporary situation that should be remedied within a short period.



Not accepted	12	2	3
<b>Services contractors</b>			
Qualified	1,908	860	684
Provisionally qualified	77	53	66
Not accepted	75	30	23
<b>Disqualified and provisionally disqualified</b>			
Disqualified	N/A	108	195
Provisionally disqualified	N/A	11	3

7.2% (85 suppliers) were assigned provisional qualification because they did not meet all of the requirements of our company. Of these, 37 were subsequently granted qualified status: 7 suppliers corrected the non-conformities detected during the rating audit, and another 30 suppliers improved their financial situation.

In the majority of these cases, the reason for assigning a provisional rating is the fact that these companies did not meet the financial solvency standards required by Repsol. In light of the global economic crisis, which has been particularly severe in the case of Spanish and Portuguese suppliers, and bearing in mind that many of these companies have been regular and reliable suppliers of the company, we have instituted provisional qualification status to signal a vote of confidence to these suppliers and contractors. This means that the supplier can take part in the tendering processes and that we will monitor their economic and financial progress.

Suppliers "Not Accepted" (those who did not pass the rating process) continue to represent a relatively low percentage (2.2%) of the total. This is also due to the fact that the vast majority of the rating processes that we carry out are on known, regular suppliers who already comply with the standards required by Repsol.

<b>Number of "Not accepted" suppliers in 2012</b>				
	<b>Due to financial situation</b>	<b>Due to technical assessment</b>	<b>Due to performance assessment</b>	<b>Other</b>
<b>Goods suppliers</b>	66.7%	33.3%	0%	0%
<b>Service providers</b>	43.50%	47.80%	4.35%	4.35%

Supplier disqualifications have increased 66.4% (from 119 to 198 disqualified or provisionally disqualified suppliers). Of the 198 disqualifications in 2012, a large majority, 195 suppliers, were disqualified for an indefinite duration, to reflect the seriousness of the breach that led to the decision. Given the repercussions of this disqualification for the supplier, decisions of this kind require the approval of the company's highest authority in the area of purchasing, the Purchasing and Contracts Functional Committee.

<b>Number of suppliers disqualified in 2012</b>				
<b>Due to insolvency</b>	<b>Due to financial situation</b>	<b>Due to contractual non-performance</b>	<b>Due to performance assessment</b>	<b>Due to disciplinary action</b>
188	2	2	2	1

## Audits of suppliers and contractors

We manage ethical, social and environmental risks in the value chain through our rating process for new suppliers, including audits and performance evaluations to identify potential risk situations and take action to correct them.

*We have carried out human-rights analyses on 100% of our significant suppliers. No human rights infringements risks were detected during 2012.*

### Audits of suppliers and contractors

We define supply chain activities according to four levels of criticality; very low, low, medium and high. These reflect the impact that a failure in the supply of goods or services might have on such factors as our operating processes, safety, the accident rate, the environment, ethical conduct or respect for human rights. Our significant suppliers are those who supply medium and high criticality goods or services, in which the risk to Repsol through its commercial relationships is moderate or high.

We carry out human-rights analyses on all our significant suppliers, reviewing the information the suppliers themselves provide us when they fill out the rating questionnaires. In addition, in high-criticality cases, we verify the information through on-site visits to the suppliers' facilities during the rating audit.

During 2012, we did not detect any risks in respect of the rights of freedom of association or collective bargaining, or risks of child labor or incidents of forced labor. Neither did we detect any situations of discrimination on the grounds of gender, race, color or religion.

<b>Audits of suppliers and contractors</b>			
<b>Country</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Spain	111	68	80
Algeria	0	0	1
Brazil	0	6	4
China	3	1	0
Ecuador	6	8	0
Egypt	0	0	1
Germany	1	1	0
Italy	3	4	3
Japan	3	0	0
Mexico	1	0	1
Norway	0	0	1
Peru	41	26	30
Portugal	14	13	4
Romania	0	0	1
Russia	3	0	1
Singapore	0	0	1

South Korea	0	0	3
Trinidad and Tobago	0	0	4
United Arab Emirates	0	0	2
United Kingdom	0	1	4
United States	1	3	3
Venezuela	1	1	0
<b>Total</b>	<b>188</b>	<b>132</b>	<b>144<sup>106</sup></b>

Data for 2011 and 2010 have been recalculated to exclude the contribution of YPF and YPF Gas to the reported information. The purpose of this recalculation is so that the figures are comparable to those of 2012.

A total of 144 rating audits were carried out in 2012, an increase of approximately 7% compared to 2011. This small increase is due to the rise in the number of audits recorded in Spain and Peru, partly owing to the fact that we have had to update several ratings in these countries for suppliers who provide us with high-criticality goods or services.

The fall in the number of audits in Portugal is due to lower rating activity in the chemicals business (Sines complex). However, a number of ratings, including several for high-criticality suppliers, which will require that an audit be carried out, are planned for 2013.

To perform the majority of these audits, we rely on specialist external auditing firms. In 2012, these companies carried out 129 audits, while the remaining 15 were carried out by Repsol staff.

### **Ethical and human rights audits**

To manage ethical and social risks in our supply chain, we have defined lists of categories and countries at greater risk of non-compliance with ethical and human rights requirements. The combination of both aspects allows us to identify suppliers with low, high or very high reputational risk.

In the event that a supplier is identified as having very high reputational risk, we require that they complete a specific questionnaire to assess their ethical and human rights conduct.

In addition, for suppliers with very high reputational risk, we consider carrying out an ethical and human rights audit in which the risk of non-compliance with ethical and human-rights aspects is verified on site. Such audits may also be carried out for suppliers with high reputational risk, if deemed necessary.

This type of audit is focused on corporate responsibility subjects, over and above the ethical and human rights aspects that are also addressed in the rating audit, and in greater depth, to give us a more exhaustive knowledge of the social performance of suppliers.

The ethical and human rights audit guide is comprised of sections covering:

- Management of corporate responsibility in the company
- Labor practices
- Prevention of corruption and bribery
- Supply chain management
- Environmental management

Each of these fundamental aspects is assessed and given a score of between zero and ten.

<sup>106</sup>This list of rating audits does not include the 18 ethics and human rights audits, which have a different scope and are detailed accordingly under the section Ethical and Human Rights Audits.

We began ethical and human rights audits in 2011, and have continued to perform them during 2012. We planned to use these two years as a learning experience to improve the model and its scope. In 2011, 10 audits were carried out on suppliers from Spain, Morocco, Peru and China. In 2012, we increased that number to 18, for suppliers from Spain, Portugal, Peru and Ecuador.

We have also included a series of changes, with the aim of improving the model:

- Scope: We reviewed the questions included in the guide used in 2011, removing some repetitive questions, reformulating others and adding new ones. We added a new section on environmental management to the guide, comprised of 15 questions.
- Format: We made the audit report more user-friendly and enabled users to automatically view the scores in the different sections, all of which are weighted according to the importance assigned to each.
- Results: For each audit, we prepare a table comprised of the following sections:
  - ✓ Management of corporate responsibility in the company
  - ✓ Labor practices
  - ✓ Prevention of corruption and bribery
  - ✓ Supply chain management
  - ✓ Environmental management

to present the results, covering both positive aspects and areas for improvement that were detected during the visit. Positive aspects include all good practices by suppliers that go beyond the legal requirements. Areas for improvement are classified as observations, minor non-conformities and major non-conformities, and recommendations are proposed for each. For each proposed improvement, an implementation period and a verification method are also defined.

- Follow-up: As an objective for 2013, we will incorporate the systematic monitoring of the proposed recommendations to suppliers.
- Methodology: Also in 2013, we will draw up a procedure or technical instruction to define the action to be taken in the event that ethical or human-rights breaches are detected on the part of our suppliers.

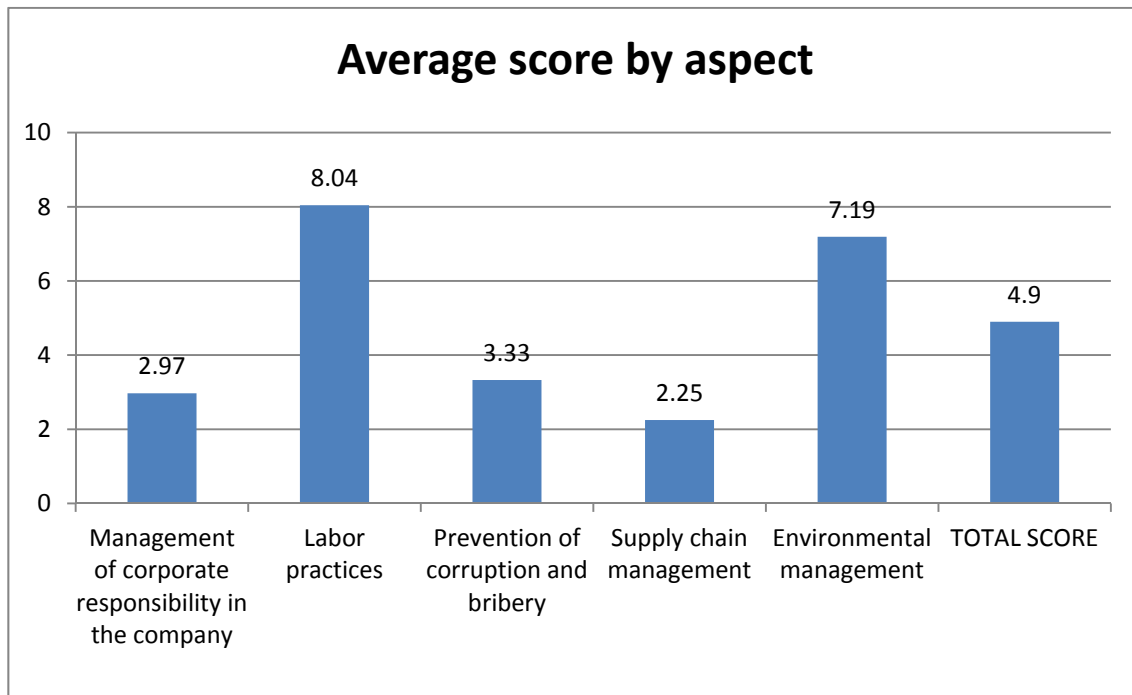
Our process for carrying out ethical and human rights audits includes – as it does for the supplier rating audits – interviews with supplier’s staff, although the total number of interviews is significantly greater in the case of ethical and human rights audits. The audit team selects a representative sample of employees, without the interference of the company management, from different departments, different grades of seniority, gender, position, age, ethnicity, origin, and other factors.

During the interviews, workers are asked questions about their working hours, the condition and suitability of the facilities, the conditions of work, labor practices, recruitment policies, disciplinary regulations, training received, freedom of movement during working hours, social benefits received, and other aspects.

Interviews are carried out in surroundings that guarantee privacy. They are strictly confidential and voluntary, meaning that there are no other personnel from the company in attendance, unless the worker requests that a workers’ representative join the meeting.

Ethical and human rights audits in 2012					
By area and country					
	Industrial and New Energies	Commercial	Exploration & Production	Corporate	Total
Ecuador	-	2	2	-	4
Spain	3	4	-	1	8
Peru	2	1	-	-	3
Portugal	1	2	-	-	3
<b>Total</b>	<b>6</b>	<b>9</b>	<b>2</b>	<b>1</b>	<b>18</b>

The audits evaluate five fundamental aspects, assigning a score of between zero and ten. The results obtained from the 18 audits carried out in 2012 are shown below:



In **Labor practices**, issues were considered including the prevention of child labor; the prevention of forced labor; the prevention of discrimination; respect for the freedom of association; and conditions of employment and work.

The main issues identified as aspects to be improved are:

- Management of corporate responsibility in the company:
  - o Appointing a person responsible for managing aspects related to corporate responsibility.
  - o Defining an ethics code or policy.
  - o Establishing mechanisms to implement the requirements of the ethics code or policy.
- Prevention of corruption and bribery:
  - o Establishing procedures to investigate reported cases.

- Sufficiently implementing or communicating the policy on corruption and bribery issues.
  - Developing tools so that workers can identify practices of corruption.
  - Implementing records and processes to enable the reporting of corruption cases affecting the company.
- Supply chain management:
  - Including clauses that encourage suppliers to implement responsible practices.

## Other control mechanisms

We work to identify situations of potential risk through performance assessments. By identifying non-compliances, we work with our suppliers to propose corrective measures.

*During 2012, we carried out 940 performance assessments on high-criticality suppliers and contractors who have provided goods or services during the past year.*

### Performance assessment

This is the systematic and documented process of assessing the most significant aspects of a supplier's performance in delivering goods or services for Repsol. Its goals are to:

- Measure performance quantitatively, so that the decision-making process is as objective as possible
- Serve as a tool for maintaining or modifying the supplier's rating status
- Offer an additional criterion for selecting suppliers to take part in calls for tender

All suppliers in areas of high criticality that have provided goods or services of any kind during the past year must undergo at least one annual performance assessment.

The variety of the goods and services we require makes it difficult to determine a single set of assessment criteria. Therefore, the different units have been developing their own criteria that they consider most appropriate for their management processes. These are being incorporated into their quality and information systems, and their monitoring of agreements with suppliers. In any case, supplier assessment must cover:

- Quality: Functional and/or performance-related aspects of the goods or service
- Management: Operational and commercial aspects of the supplier and aspects relating to social responsibility
- Security: Pertaining to people or goods
- Environment: As defined by current legislation and regulations

Assessments carried out	2010	2011	2012
Suppliers of goods	230	484	188
Services contractors	1,053	754	752
<b>TOTAL</b>	<b>1,283</b>	<b>1,238</b>	<b>940</b>

### Managing failure to comply

During 2012, we set to work to draw up a standard regulatory document to include the actions to be taken in the event of detected breaches by our suppliers. Previously, the different businesses applied their own action criteria to address these irregularities.

In general terms, infringements have been categorized as “observations”, “minor non-conformities” or “major non-conformities”. With regard to the supplier rating, provisional or permanent disqualification may be proposed, subject to the approval of the Repsol Purchasing and Contracts Functional Committee.

We perform follow-up investigations to find out whether the supplier has corrected identified non-compliances, depending on the rating status assessed. If non-compliances remain



unaddressed, the supplier may be committing a very serious infringement and could lose any possibility of maintaining commercial relations with Repsol.

In 2012, we began to develop a tool to improve the monitoring of recommendations included in rating audit reports as a result of visits made to suppliers' facilities. This tool was implemented in the second half of 2012 for new contracts awarded in Spain and Portugal.

This qualitative analysis has been provided to a total of 52 companies, with recommendations grouped according to type, in a similar manner to the ethical and human rights audits, for each of the sections comprising the scope of the audit. The results obtained for the most significant types, minor and major non-conformities, are summarized below.

Minor non-conformities:

- Quality:
  - o Deficiencies relating to the designation of personnel in the emergency plan: 11
  - o Not having an alcohol and drug use policy: 7
- Safety and environment:
  - o Not investigating accidents/incidents, procedural deficiencies, missing records: 11
  - o Not calculating accident rates, not doing so frequently enough, or not including them in targets: 19
  - o Not performing safety inspections, not doing so frequently enough, or not doing so in the proper manner: 14
- Ethics and human rights:
  - o Lack of a policy or directive on corruption and bribery issues: 9
- Visit:
  - o Lack of signage in facilities (use of official protective equipment, emergency exits): 9

Major non-conformities:

- Safety and environment:
  - o Lack of planning, follow-up, implementation or updating of the risk assessment: 7
  - o Lack of a procedure in the event of a serious or imminent risk, or deficiencies in such a procedure: 8

We also highlight positive aspects, such as the use of computerized cost-control and management systems or the frequency of employee training, the use of external certifications or carrying out internal quality management audits.

In 2012, a total of 13 contracts were terminated early for various reasons. These included the following:

- Serious safety and contractual infringement
- Breach of contract
- Breach of the technical specifications of the scope of the contract
- Breach of legislation
- Suppliers having serious financial problems

We also imposed 16 sanctions on suppliers of our refineries in Spain, 3 at Petronor and 13 financial penalties at the A Coruña refinery.

## **Relationships with our security suppliers**

Protecting facilities and people is fundamental in the energy sector. That's why we rely on contracted staff from specialized security companies, and require them to comply with criteria that are aligned with our policies and with international standards.

*In 2012, we signed six contracts with private security companies that specifically require compliance with ethical standards and respect for human rights.*

### **Supplier selection**

We depend on external suppliers for the security of our installations and the people inside them. The sensitivity of this activity has led us to adopt additional principles for the assessment of suppliers, which must be fulfilled in order for them to be eligible for selection. We check that suppliers have not been directly or indirectly linked with illicit activities such as money laundering, drug trafficking or tax evasion, or that they have a history of unethical conduct, including accusations of human rights violations. We do not contract private security services that have been associated in the past with private militias or paramilitary groups.

During 2012, private security suppliers with such backgrounds were excluded from tendering in Brazil, Colombia, Ecuador and Peru.

We require private security suppliers to have a detailed knowledge of the ethical conduct and human rights requirements laid down by the main international standards, supplemented by our internal regulations. As is described in the chapter [Respecting human rights](#), training in human rights is fundamental to ensuring that external security staff act in accordance with current national and international legislation, to avoid abuses and arbitrary or discriminatory conduct that might entail physical or psychological violence against individuals. For this reason, the training of all security contractors is a company requirement.

### **Contractual status**

For all our contracts, we perform checks to ensure that the companies comply with local legislation. Regardless of what may be contained legislation, Repsol contracts include clauses that make express reference to the Voluntary Principles on Security and Human Rights (VPSHR), obliging the companies to formally abide by these standards.

In 2012, six contracts were signed with private security companies that specifically included clauses requiring compliance the Universal Declaration of Human Rights, the guidelines for action contained in the United Nations Basic Principles on the Use of Force and Firearms, and the requirements of the VPSHR. Of the six contracts signed, one was in Colombia, two in Mauritania, two in Libya and one in Peru.

### **Control and follow-up mechanisms**

Selecting our suppliers and establishing relations with them are not enough to guarantee that our regulations will be upheld. That's why checks are carried out on private security suppliers in which we use additional tools to ensure that their conduct complies with the standards demanded by Repsol.

The performance of private security companies is controlled by the permanent supervision of the different individuals in charge of corporate security, using the structure in place in each country. These controls are based, mainly, on the verification of services and on audits and performance assessments.

During 2012, monthly assessment reviews were carried out on private security suppliers in Bolivia, Trinidad and Tobago and Venezuela. These reviews included periodic checks on the conduct of security agents, relating to their performance on the ground. In Ecuador, one

performance assessment was carried out by the purchasing and contracts area. Likewise, an audit was carried out in Peru that considered aspects such as labor relations, regulatory compliance and other operational issues.

All of these controls gave us confidence that all security suppliers were suitable for the performance of their duties, and we did not discover any causes for terminating our relationship with these suppliers. As such, in 2012 no contracts were terminated on these grounds.

## Local purchasing and contracts

We create wealth in local economies, both directly and indirectly, by supporting local companies in our purchases from suppliers.

*Repsol spent approximately €5.207 billion on purchasing and contracts in 2012<sup>107</sup>. Approximately 83.4% of this was carried out through local suppliers.*

### Country of origin of our suppliers

In 2012, we worked with 19,551 suppliers from 82 countries.

Supplier's country of origin <sup>108</sup>	Number of suppliers in 2011	Number of suppliers in 2012
ALGERIA	132	113
ANDORRA	1	0
ANGOLA	0	2
ARUBA	1	1
AUSTRALIA	17	19
AUSTRIA	10	15
BAHAMAS	2	0
BAHRAIN	1	1
BARBADOS	4	3
BELGIUM	62	68
BERMUDA	0	2
BOLIVIA	356	333
BRAZIL	838	584
BRITISH VIRGIN ISLANDS	3	3
BULGARIA	1	1
CANADA	296	308
CAYMAN ISLANDS	1	0
CHILE	4	5
CHINA	12	9
COLOMBIA	208	160
COSTA RICA	1	4
CUBA	63	71
CYPRUS	3	3
CZECH REPUBLIC	5	4

<sup>107</sup> Total purchases refers exclusively to those made from the Department of Purchasing and Contracting, excluding purchases of oil, gas and materials.

<sup>108</sup> A local supplier who pays VAT in the country where it serves or delivers the goods.

DENMARK	15	17
DOMINICAN REPUBLIC	0	1
ECUADOR	1,101	1,08
EGYPT	3	3
EL SALVADOR	0	1
EQUATORIAL GUINEA	1	1
FINLAND	4	5
FRANCE	170	161
GERMANY	203	206
GREECE	1	0
GUYANA	33	36
HONDURAS	1	0
HONG KONG	3	4
INDIA	3	3
INDONESIA	9	22
IRAN	1	0
IRAQ	1	1
IRELAND	14	16
ISRAEL	3	5
ITALY	90	83
JAMAICA	0	1
JAPAN	9	8
JORDAN	2	1
LEBANON	0	1
LIBYA	74	93
LUXEMBOURG	6	6
MALAYSIA	3	5
MALTA	4	4
MARSHALL ISLANDS	1	0
MAURITANIA	1	10
MAURITIUS	1	0
MEXICO	194	174
MOROCCO	5	4
NAMIBIA	0	2
NETHERLANDS	102	111
NETHERLANDS ANTILLES	1	1
NICARAGUA	1	1

NORTH KOREA	1	1
NORWAY	91	132
OMAN	2	1
PANAMA	9	9
PERU	1,789	1,826
POLAND	1	1
PORTUGAL	2,038	2,322
PUERTO RICO	1	1
QATAR	2	0
ROMANIA	0	2
RUSSIAN FEDERATION	7	2
SINGAPORE	9	8
SLOVENIA	1	0
SOUTH AFRICA	1	1
SOUTH KOREA	3	1
SPAIN	9,476	9,076
SURINAME	1	1
SWEDEN	11	20
SWITZERLAND	55	50
TAIWAN	1	1
THAILAND	2	2
TRINIDAD & TOBAGO	348	373
TUNISIA	6	7
TURKEY	4	4
UAE	13	22
UNITED KINGDOM	410	409
URUGUAY	7	6
USA	923	1,015
VENEZUELA	429	382
VIETNAM	1	1
<b>Overall total</b>	<b>20,169</b>	<b>19,551</b>

There was a small reduction in the number of suppliers – approximately 3% – compared to 2011, mainly caused by the completion of major projects that were in progress during previous years: the refineries of Cartagena and Petronor.

Spain in particular experienced a 4.2% reduction in the number of suppliers compared to 2011. There has also been a significant fall, of approximately 30.3%, in the number of suppliers in Brazil, mainly due to lesser exploration and seismic imaging activity in 2012 than in 2011. In addition, some contracts were awarded at the end of 2011, with work effectively taking place in 2012.

On the other hand, in Portugal the number of suppliers providing goods or services increased by approximately 13.9%.

Around 9% of all these suppliers have high criticality and 13% have medium criticality, meaning they must undergo a rating process that includes detailed human-rights aspects. The remaining 79% are suppliers with low or very low criticality, which do not have a major impact on the company's activities, nor do they present significant reputational risk. As a result, these issues are not assessed with the same level of detail.

In 2012, a total of 3,092 contracts were awarded to significant suppliers. Of these, 1,804 were awarded to medium-criticality suppliers and 1,288 to high-criticality suppliers, all of which include contract clauses relating to human rights.

The impact of the expropriation of YPF has meant that the total number of Repsol suppliers has fallen from 27,758 suppliers in 2011 to 19,551 in 2012 (an approximate reduction of 29.6%).

### Local purchasing

Repsol spent approximately €5.207 billion on purchasing and contracts in 2012. Approximately 83.4% of this was carried out through local suppliers.

<b>Purchasing and contracts</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>
Total purchases <sup>109</sup> (€ million)	4,552	5,227	5,207
Total suppliers (number)	19,932	20,198	19,551
Local purchasing (number)	3,646	4,422	4,341
Local purchases (% of total)	80.08%	84.59%	83.40%

<b>Local purchasing and contracts (€ million)</b>				
<b>Country</b>	<b>Total</b>	<b>Local</b>	<b>Purchases from local suppliers (%)</b>	<b>Contracts with duration longer than 1 year in the country (%)</b>
Spain	3,365.4	2,966.9	88.2	51
Algeria	35.8	15.9	44.4	
Belgium	0.1	0.1	100	
Bolivia	228.7	201.0	87.9	
Brazil	242.7	144.0	59.3	14
Canada	18.3	14.2	77.6	53
Colombia	2.97	2.90	97.6	67
Cuba	137.5	14.0	10.2	
Ecuador	135.8	123.5	90.9	39
France	3.25	3.18	97.8	
Germany	1.2	0.07	5.8	61
Guyana	89.4	9.8	10.9	25
Indonesia	0.25	0.25	100	
Iraq	1.3	0.42	32.3	100
Italy	1.4	0.04	2.9	
Japan	0.038	0.038	100	

<sup>109</sup> "Total purchases" refers exclusively to those made by the purchasing and contracts department, excluding purchases of crude oil, gas and materials.

Libya	17.9	14.0	78.2	52
Mauritania	0.40	0.36	90	
Mexico	10.86	10.75	99	54
Morocco	1.7	0.16	9.4	
Netherlands	0.76	0.76	100	
Norway	18.8	17.0	90.4	35
Peru	298.7	284.1	95.1	36
Portugal	241.9	186.4	77.1	26
Trinidad and Tobago	98.6	89.1	90.4	
USA	196.0	193.8	98.9	20
Venezuela	57.4	49.0	85.4	39
<b>TOTAL</b>	<b>5,207.1</b>	<b>4,341.7</b>	<b>83.4</b>	<b>39</b>

We seek to establish relations with local suppliers that are long lasting and which respond to the company's needs, while also contributing to local development. For this reason, the percentage of contracts with local companies of durations longer than one year, increased from 25.90% in 2011 to 39% in 2012.

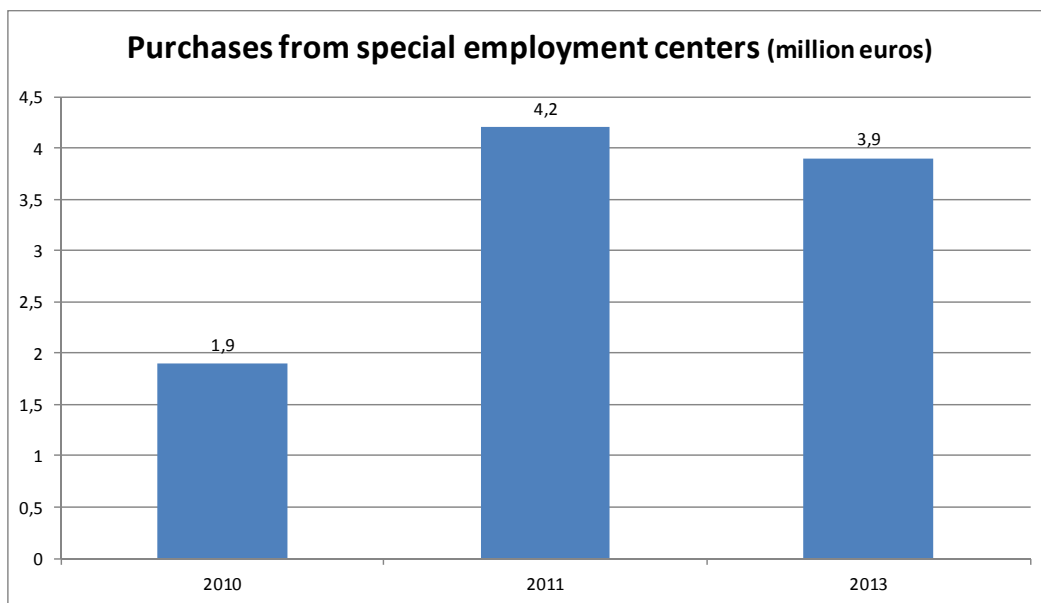
We do not always have access to specialist local suppliers. On such occasions we have to resort to international suppliers. This is the case with the purchases made in Cuba and Morocco.

#### **Purchasing and contracts involving special employment sites**

Repsol is committed to boosting job creation for people with disabilities, by awarding contracts for goods and services to companies deemed Special Employment Centers (SECs). In 2012, Repsol made purchases from 44 SECs in Spain, for a total value of approximately €3.9 million.

The goods and services acquired through the SECs were mainly the following:

- Gardening services
- Cleaning services
- Document printing
- Occupational safety material
- Portering services
- Catering services





## Customers

We are committed to our customers, offering them products and services that are safe and high quality. We work to guarantee a flexible, competitive supply that meets their needs and expectations.

*We carry out customer satisfaction surveys to learn how we can improve the quality of our products and services.*

## Our commercial activities

Repsol produces and markets fuels, lubricants, LPG (liquefied petroleum gas) and chemical products, either directly or through distributors.

### Marketing

Through our marketing area, we sell a wide range of products, notably those marketed through our network of service stations located in Spain, Peru, Italy and Portugal. These service stations are mainly responsible for sales of fuels and lubricants.

We have other sales channels for fuels, lubricants, asphalts, coke and oil products, which are marketed by the aviation, lubricants & specialized products and direct sales business lines.

### LPG (Liquefied petroleum gas)

The LPG business is dedicated to the marketing of liquefied petroleum gas, primarily butane and propane, in bottles, piped, or in bulk. Repsol is one of the biggest LPG retail distribution companies in the world, and is the leader in Spain and Latin America. In 2012 we sold LPG in seven countries in Europe and Latin America.

### Chemicals

We also produce and market a wide range of chemicals products, covering basic and derived petrochemicals. We are present in more than 90 countries, and we are the leaders in the Iberian peninsula.

Production is mainly focused on the petrochemical complexes of Puertollano and Tarragona in Spain, and Sines in Portugal. Repsol also has other facilities with lesser production capacity, such as the chemical complexes of Dynasol (Gajano, Cantabria); Polidux (Monzón, Huesca); and General Química (Latarón, Álava), all three located in Spain.

### Relations with our distributors

We rely on the support of distributors, agents and commercial representatives, non-managed service stations and other companies (haulage companies, fitters, and others) who make our products and services available to our end customers, wherever and whenever they need them.

In the marketing business, we have service stations and supply units that are controlled by the company or franchisees. Around 35% of all service stations currently operate under this arrangement, and are also known as "licensed" service stations.

Licensing agreements establish the framework governing the relationship between Repsol and franchised service stations.

Repsol distributes LPG for the household, commercial and industrial markets, through commercial distributors and transport companies. We also rely on partners, distributors and

transport companies who support us in the marketing of chemical products.

As part of our corporate 2012-2013 Sustainability Plan, we have worked on compliance clauses in new contracts with distributors and commercial companies, through the LPG, direct sales, lubricants and service stations commercial areas. We have also made progress on the selection and contracting process, to include ethics and human rights criteria (conditions of work, health and safety; compliance with our internal regulations) in the approval process for transport companies.

During 2012 we also worked on campaigns to promote our ethical, social and environmental regulations among our distributors and commercial companies.

## Customer satisfaction

We carry out customer satisfaction surveys to assess our customers' views and to identify how we can improve our products and services. We use a variety of mechanisms to measure satisfaction levels in each of our diverse businesses.

*Customer satisfaction surveys are carried out at least every two years to allow us to make improvements in both the short and medium term.*

Our products and business units are very diverse. Therefore, we cannot use a single global index to measure the satisfaction levels of all the company's customers. Instead, we apply methodologies and procedures that best reflect the reality of our activities in each country and business.

Although we have various mechanisms in place to measure the satisfaction levels of our customers and to collect and analyze their opinions, we work to ensure that our measurement method is standard. Using the same attributes to calculate the different customer satisfaction indices (CSIs) allows us to cross-analyze to compare the customers of different businesses.

Satisfaction surveys also allow us to discover how we might improve customer satisfaction. By applying a methodology that is consistent over time, we are able to analyze the trend in customer satisfaction with our products and services. Based on all of these results, we adopt corrective measures and improvements, in the short and medium term, which are included in annual action plans.

Customer satisfaction surveys are carried out by external companies, at least every two years, although there may be exceptions depending on the country and the business. In Spain and Portugal, the index is based on a scale of 1 to 5; in Ecuador and Peru a percentage scale is used, with 100 being the maximum level of satisfaction. These scales apply to the CSIs of both the Marketing (Service Stations) and the LPG business. In the case of Chemicals customers, the overall service level is measured.

The customer satisfaction indices for service stations, LPG and chemicals are shown below:

### Service stations:

Customer service index for service-station customers				
	2009	2010	2011	2012
Spain	4.02	NA	3.91	NA
Peru	83%	76%	82%	87%
Portugal	3.91	3.95	3.99	NA

The CSI for service stations takes into account attributes such as speed of service, the helpfulness of staff, and the cleanliness of the facilities. On some occasions "mystery buyers" made visits and subsequently evaluated their experience.

Among the actions we took during the year to improve customer satisfaction, we worked to improve the distribution process and response times, to reinforce the discounts and promotions policy, and to improve compliance with contractual obligations.

In the first quarter of 2012, a new quality program was launched, called E3, which aims to improve customer satisfaction in service stations. It has now been introduced in 100% of service stations under direct management, and we are studying the possibility of certifying service quality in service stations in Spain.

**LPG:**

<b>Customer service index for LPG customers</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Spain</b>				
Private customers bulk	NA	4.15 among traditional customers. 4.07 among other customers	NA	3.96
Companies bulk	NA	4.11	NA	4.09
Piped: Propane Plan for Apartment Blocks	NA	3.99	NA	3.79
Piped: Towns/Villages	NA	3.95	NA	3.71
Bottled	4.18	NA	NA	3.96
<b>Ecuador</b>				
Bulk	95.07%	94.43%	97.95%	98.9%
Bottled	84%	88%	90%	90%
<b>Peru</b>				
Bulk	NA	91%	NA	76%*
Automotive	NA	NA	76%	NA
Bottled	NA	NA	80%	NA

\* The CSI of 76% for bulk LPG in 2012 is not comparable with the value obtained in 2010, since different methodologies were used for the calculation. In 2010, simple telephone surveys were carried out with satisfaction scales, and in 2012 the CSI methodology was applied.

To measure the satisfaction of LPG customers, we use indicators such as the number of complaints regarding bottled and bulk orders. The lower this value, the better the service provided to customers, and therefore the higher their satisfaction with the overall service.

In Portugal, the satisfaction survey is carried out every three years. The last one was performed in 2009, and the survey that commenced in 2012 will be completed in 2013.

Having analyzed the communications received in previous years, some of the steps taken to improve the CSI for LPG customers include:

- Improving our communication: specifically in the process of requesting orders, in order to reduce incidents related to delays in supply.
- Electronic billing: given the recurrent problems with receiving bills, we are working to implement more efficient solutions, such as the use of an extranet for customers.
- Customer outreach: organized customer visits to LPG plants in Peru, so that they can get to know Repsol's processes and technology up close.
- Better promotions and discounts through agreements with other companies.

**Chemicals:**

<b>Overall service level</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Overall service level</b>	86.9%	88.1%	88.97%

Customer satisfaction surveys for the Chemicals business do not take place at set intervals.

The overall service level is calculated monthly and compliance with requested delivery dates is measured. Other supplementary indicators, such as monthly indices of customer complaints and complaint response times, are taken into account. A monthly analysis is also performed on the main customer-related incidents, known as Top Unsatisfied Customers, and follow-up is carried out via the reports on visits made by sales representatives and representatives of technical assistance and development (ATD).

During 2012, we put into practice a customer complaints management plan. We also analyzed the results of the 2011 customer satisfaction survey. This analysis has been passed on to the chemicals areas involved in customer management, and work has been done on implementing an action plan to alleviate customers' negative perceptions. This plan includes activities over the course of 2012, and others that will take place in 2013, such as the start-up of a new version of the customer relationship management system which is integrated with our order management and billing system, and which provides us with a better view of customers' records when they call us. We have also continued to strengthen our workforce and the training of customer-service staff, with the goal of increasing the level of telephone service that we provide to our customers.

## **Safety of our products**

Repsol is working to minimize the health and environmental impacts that may be caused by the products we sell, throughout the supply chain.

*We are improving consumer information and training on the use of products, because these are effective at protecting public health and safety.*

Our commitment is to ensure respect for current legislation in relation to customer health and safety during all the life-cycle phases of the products we sell. We take the necessary steps to achieve this, and we promote the appropriate training of our customers in this matter.

The product safety group, together with the company's different businesses, works to identify the different properties in our products, and their effects on health and the environment. This requires analysis of the entire life cycle, examining the raw materials, the final products and the possible health, safety and environmental risks in the products that we market.

We comply with the European Union regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), and with the CLP Regulation on the Classification, Labeling and Packaging of substances and mixtures, in all our products. We make sure that we perform a proper assessment of our products' health and safety risks, in all stages of their life cycle: from concept development to its disposal, reuse or recycling, covering the stages of R&D, certification, manufacture and production, storage, distribution, marketing and use.

Repsol has a comprehensive body of policies on labor and the environment to ensure that risks to people's health and safety are kept within regulated limits. These policies also regulate the transport and distribution phases, so that we are able to minimize the risks arising during these activities.

We prepare product safety data sheets that compile all the information needed for the correct handling of products, throughout the supply chain, including information on the safe use of the product, how to dispose of it, and its impact on the environment.

In 2012, as in previous years, we have had no incidents related to non-compliance in respect of product health and safety which have given rise to administrative or judicial penalties.

## **Responsible advertising**

Repsol is a member of associations that promote voluntary codes and mechanisms that safeguard transparency and truthfulness in advertising.

As well as complying with the law, we support voluntary codes that establish guidelines for self-regulation and criteria for responsibility for our commercial and advertising communications. Repsol is part of the Spanish Association for the Self-Regulation of Advertising Communication (Autocontrol), a non-profit organization that seeks to ensure trust and credibility in advertising.

We have voluntarily committed to abide by the following codes:

- Code of conduct of the Spanish advertising industry
- Autocontrol advertising code of conduct
- Code for self-regulation regarding environmental claims in marketing communications
- E-commerce and interactive advertising ethical code

In 2012, proceedings were opened in two cases in Peru, due to the omission of data in advertising campaigns.

## **Customer responsibility initiatives**

We are working to help our customers use products wisely, more efficiently and more safely. We are working to make our service stations network more accessible, and we take part in social-investment projects.

*We partner with different institutions on initiatives that extend corporate responsibility to our customers.*

### **Responsible consumption**

We communicate with our customers and consumers to provide them with product energy efficiency or environmental protection information. We provide practical information on the use of our products and recommendations on the maintenance of equipment, which can be helpful in achieving more efficient use.

We promote responsible consumption, mainly through our website, but also through information via email, on bills, or through our sales outlets. We explain the nature of our products, we detail the safety regulations that must be followed in using them, and we offer advice on efficient use.

During 2012, our LPG business ran a responsible consumption campaign in the household and commercial sectors, where consumption levels are highest. We also hold talks about safety and the proper handling of products, so that our partner companies can provide consumers with information about the responsible use of these fuels.

We have also promoted the recycling of solid waste, installing containers in service stations and public sales outlets.

During 2012, Repsol Química launched a campaign entitled Chemistry Ambassadors. This included talks in schools to explain chemical products, their uses and contributions to society, and messages to students about the need to use them responsibly. Similar information has been included in the product catalogs provided to customers.

### **Accessible service stations**

Since the opening of Spain's first accessible service station in 2011, Repsol has continued to adapt its international network of sales outlets.

Investments have been allocated to improve the architectural and functional elements that facilitate access to the company's service stations. These include signage, adaptation of the mini-market and toilets, and the "press and go" system at the pump to enable people with reduced mobility to call for service.

At 31 December 2012, Repsol had 511 service stations in Spain and 234 in Portugal that met the DALCO accessibility criteria (ease of movement, understanding, location and communication). In addition, four service stations in Spain have obtained universal accessibility certification under the UNE 170001 standard, which ensures that sales outlets guarantee accessibility, and that this accessibility is not occasional but will be maintained over time.

### **Eco-design and more sustainable products**

Repsol is committed to respecting the environment, and to the quality of its products. That's why we're making considerable investments in our facilities, and applying R&D&I to continually reduce environmental impacts and carbon intensity throughout the value chain of our products.

To find out more about our different initiatives to create more sustainable fuels, lubricants and asphalts, see the section New ways of reducing emissions: Ecodesign in the chapter [Promoting a low carbon strategy](#) in this report, or the Our Products and Services section of [www.repsol.com](http://www.repsol.com).



### **Fair trade**

In May 2012, Repsol, the Repsol Foundation and the **Ayuda en Acción Foundation** signed a collaboration framework agreement to combine forces in designing and implementing social-action projects.

As a result of this agreement, Repsol service stations will sell fair trade and socially responsible products through special units that have been fitted out and where customers will be able to find tea, coffee and other products.

This initiative will benefit communities of fair-trade producers, while increasing their product sales. It also offers the chance to promote the activities of Ayuda en Acción among Repsol's service station customers.

Another of area of collaboration included in the agreement is the promotion of Ayuda en Acción activities among Repsol employees, to raise awareness and offer possibilities for mutual cooperation.

# About this report

This Corporate Responsibility Report covers the 2012 financial year. Its main aim is to provide complete, reliable and high-quality information about corporate responsibility at Repsol. Its content is supplemented by the information at [repsol.com](http://repsol.com) in the section on corporate responsibility and by the rest of the corporate information prepared and published by Repsol in 2012. This includes the Consolidated Annual Accounts Report, the Management Report, which provides more in-depth information on the company's financial management, and the Annual Corporate Governance Report, which focuses on information relating to the functioning of the company's governing bodies.

Repsol publishes this report on a yearly basis and it has been produced in accordance with the Global Reporting Initiative Sustainability Reporting Guidelines (version G3.1), including the sector supplement for oil and gas companies, to an A+ level of application.

This report also meets the criteria of the AA1000 standard, as well as the principles of inclusiveness, materiality and responsiveness of the AA1000 2008 APS standard. It has also been assured under the AA1000 2008 AS standard.

Moreover, in drawing it up, we took into account the document on transparency, communication and standards in sustainability reports and notes, drawn up by the Spanish State Council for Corporate Social Responsibility (CERSE). We also took note of the [Spanish Corporate Social Responsibility Observatory](#), with the participation of the Comisiones Obreras (CCOO) trade union, and the [Social Responsibility Observatory of the Unión General de Trabajadores \(UGT\) trade union](#), among other organizations that analyze company reports and practices.

We have also benefited from the participation of the main unions within the company in every phase of drafting this report, through the CSR working group consisting of individuals from the Repsol Labor Relations and Corporate Responsibility units, and representatives of CCOO and UGT. In January 2013, we held a meeting to present the structure and content of this report.

## AA1000 APS Standard

The AA1000 standard is based on three critical, interlinked principles:

### Inclusiveness

This specifies that the company, its corporate divisions and business units, have identified their stakeholders and channels and mechanisms for dialogue and relations are in place. The processes and tools for dialogue with stakeholders are detailed in the [Our relationships](#) section of this report. The assessment and considerations of the trade unions regarding the reported information are also included.

### Materiality

A company must demonstrate an analysis of the most important issues. In order to produce this Corporate Responsibility Report, a study was carried out to identify expectations based on the recommendations of the AA1000 standard, which are detailed below. The purpose of this study was to ensure that the Corporate Responsibility Report focused on the most relevant issues, given Repsol's business, its stakeholders and sector. The material issues identified by this study have not undergone any substantial modifications with respect to those identified in previous years.

### Responsiveness

Companies must show that they have listened to and responded to the express views of stakeholders. This report seeks to address the issues our stakeholders identified as material for the company through our dialogue processes, and to provide an account of its 2012 performance in each of these areas.

## **Scope of the report**

This report includes information about Repsol's activities in the different countries in which it is present. In most cases, when we refer to Repsol we mean the Repsol Group. When this is not the case, the scope of the reported information is specified and clarified.

The data underpinning the environmental information comes from subsidiary companies in which we have a majority holding and/or operating control, and where we record 100% of emissions to the environment. In the case of greenhouse gases, we also include information on emissions from the company's activities in proportion to our holding in each of these companies.

The economic data included in this report has been prepared in accordance with the presentation criteria and accounting policies described in the Repsol Group's Consolidated Annual Accounts. When preparing our consolidated financial statements, Repsol includes investments in all subsidiary and associated companies and joint ventures. The full consolidation method is applied to all subsidiaries over which Repsol has direct or indirect control. The proportional consolidation method is applied for joint ventures, which means that the proportional parts of the assets, liabilities, income and expenditure are included in consolidated financial statements according to our holding. Associated companies are consolidated via the equity method. These companies are those in which Repsol holds significant influence, but does not exercise full or joint control.

As regards safety issues, we include data for 100% of employees at subsidiary companies in which we have a majority holding and/or operating control.

The information on Repsol employees refers to companies over which Repsol has direct management responsibility and operating control.

Social investment refers to all the activities carried out by Repsol and its two foundations (Repsol Foundation and Repsol Ecuador Foundation) that involve payments to associations and contributions to the community and society in the places where we conduct our activities. Information on social investment has been provided for 100% of the operations in which we have operating control.

This report includes quantitative details from previous years. The data for 2011, 2010 and previous years have been recalculated to exclude the contributions made to these indicators by YPF and YPF Gas. This is done so that these figures are comparable with the 2012 data. The way in which this information is calculated is specified in these cases. In cases where the scope includes YPF or YPF Gas, this inclusion is stated.

## **Verification of the report**

The data in this report has been reviewed and verified by Deloitte, to ensure its reliability.

## **Distribution**

An electronic version of this report is sent by email to interested parties, and it can also be provided on a USB drive in Spanish and English. This report is also available at [www.repsol.com](http://www.repsol.com), where the document can be downloaded in .pdf format.

## **Inquiries and additional information**

Readers of this report may send their questions, inquiries or requests for additional information through the Contact and Repsol Listens to You sections on [www.repsol.com](http://www.repsol.com).

## **Expectations Analysis**

We carried out an expectations analysis in order to prepare the Corporate Responsibility Annual Report and to spotlight those issues of most relevance to the company.

This is a study that seeks to identify and define the material issues of fundamental importance to stakeholders and therefore to Repsol; this is done using a methodology that can be replicated annually and that gives us a higher degree of precision regarding the issues we have to take into account.

The process of identification was carried out using different approaches and using methods that correspond to the AA1000 standard.

This study included an initial phase during which the relevant issues were identified, taking as a starting point, among others, the analysis and review of the environmental, social and governance (ESG) criteria of our institutional investors, the requirements of relevant international organizations in the field of sustainability, and the analysis of press articles related to the sector.

The expectations identified formed an initial definition of material issues. These were verified by means of in-depth interviews with opinion leaders on ethical, social and environmental matters, who were identified through press reports and by other means of selection identified by Repsol.

The purpose of the interviews was to verify the expectations we had identified, by discussing the issues, challenges and trends in greater depth, as well as ascertaining their vision for Repsol. All of the interviews were conducted using the same script:

- Challenges in the area of knowledge of the expert interviewed
- Trends
- Perception of Repsol and of the best business practice for each issue

The aim of this study was to determine the contribution that the oil and gas industry makes to sustainable development, focusing on those areas where the sector's contribution is most critical and where Repsol must place greatest emphasis.

The information included in the Corporate Responsibility Annual Report 2012 is structured in response to this analysis.

# GRI / ISO 26000 Index

## Part 1: Profile

1. Strategy and Analysis				
GRI		ISO 26000		Reference in the Report
Profile	Description	Core subjects and issues	Section	
1.1	Statement from the most senior decision-maker of the organization.	Organizational governance	6.2	<a href="#">Interview with the Chairman and CEO</a>
1.2	Description of key impacts, risks and opportunities.	Organizational governance	6.2	<a href="#">How we identify and manage risks</a>

2. Organizational profile				
GRI		ISO 26000		Reference in the Report
Profile	Description	Core subjects and issues	Section	
2.1	Name of the organization.			<a href="#">Good governance</a>
2.2	Primary brands, products and/or services.			<a href="#">Business areas</a>
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures.	Organizational governance	6.2	<a href="#">Business areas</a>
2.4	Location of the organization's headquarters			<a href="#">Business areas</a>
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.			<a href="#">Employment at Repsol</a>
2.6	Nature of ownership and legal form.			<a href="#">Good governance</a>

<b>2. Organizational profile</b>				
<b>GRI</b>		<b>ISO 26000</b>		<b>Reference in the Report</b>
<b>Profile</b>	<b>Description</b>	<b>Core subjects and issues</b>	<b>Section</b>	
2.7	Markets served (including geographical breakdown, sectors served and types of customers/beneficiaries).			<a href="#">Our commercial activities</a>
2.8	Scale of the reporting organization.			<a href="#">Summary of our performance in 2012</a>
2.9	Significant changes during the reporting period regarding size, structure or ownership of the organization.			<a href="#">Changes in organizational structure</a>
2.10	Awards and honors received in the reporting period.			<a href="#">External acknowledgement</a>

<b>3. Report parameters</b>				
<b>GRI</b>		<b>ISO 26000</b>		<b>Reference in the Report</b>
<b>Profile</b>	<b>Description</b>	<b>Core subjects and issues</b>	<b>Section</b>	
3.1	Reporting period for the information contained in the report.			<a href="#">About this report</a>
3.2	Date of the most recent previous report.			<a href="#">About this report</a>
3.3	Reporting cycle (annual, biennial, etc.).			<a href="#">About this report</a>
3.4	Contact point for questions regarding the report or its contents.			<a href="#">About this report</a>
3.5	Process for defining report content.			<a href="#">About this report</a>

3. Report parameters				
GRI		ISO 26000		Reference in the Report
Profile	Description	Core subjects and issues	Section	
3.6	Scope of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further information.			<a href="#">About this report</a>
3.7	State any specific limitations on the scope or boundary of the report.			<a href="#">About this report</a>
3.8	The basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations.			<a href="#">About this report</a>
3.9	Data measurement techniques and the criteria for calculations, including assumptions and techniques underlying estimations applied to the compilation of indicators and other information in the report.			<a href="#">About this report</a>

3. Report parameters				
GRI		ISO 26000		Reference in the Report
Profile	Description	Core subjects and issues	Section	
3.10	Description of the effect of any restatements of information provided in earlier reports, and the reasons for these restatements (e.g. mergers/acquisitions, change of base years/periods, nature of business, or assessment methods).			<a href="#">About this report</a>
3.11	Significant changes from previous reporting periods in the scope, boundary, or assessment methods applied in the report.			<a href="#">About this report</a>
3.12	Table identifying the location of the basic content in the report.			<a href="#">Contents</a>
3.13	Policy and current practice with regard to seeking external verification of the report.	Verification	7.5.3	<a href="#">About this report</a>



<b>4. Governance, commitments and engagement</b>				
<b>GRI</b>		<b>ISO 26000</b>		<b>Reference in the Report</b>
<b>Profile</b>	<b>Description</b>	<b>Core subjects and issues</b>	<b>Section</b>	
4.1	Governance structure of the organization, including committees under the chief governance body responsible for specific tasks, such as setting strategy or organizational supervision.	Organizational governance	6.2	<a href="#">Good governance</a>
4.2	Indicate whether the Chairperson of the chief governance body is also an executive officer.	Organizational governance	6.2	<a href="#">Good governance</a>
4.3	For organizations that have a unitary board structure, state the number of members of the chief governance body that are independent or non-executive members.	Organizational governance	6.2	<a href="#">Good governance</a>
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the chief governance body.	Organizational governance	6.2	<a href="#">Good governance</a>
4.5	Link between compensation for members of the chief governance body, senior managers and executives (including severance arrangements), and the organization's performance (including social and environmental performance).	Organizational governance	6.2	<a href="http://repsol.com">repsol.com</a>

<b>4. Governance, commitments and engagement</b>				
<b>GRI</b>		<b>ISO 26000</b>		<b>Reference in the Report</b>
<b>Profile</b>	<b>Description</b>	<b>Core subjects and issues</b>	<b>Section</b>	
4.6	Processes in place to ensure conflicts of interest are avoided in the chief governance body.	Organizational governance	6.2	<a href="#">Ethics Committee</a>
4.7	Process for determining the qualifications, and expertise of the members of the chief governance body, in order to guide the organization's strategy in social, environmental and economic aspects.	Organizational governance	6.2	<a href="#">Performance of the board</a> <a href="#">CR competencies</a>
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation.	Organizational governance	6.2	<a href="#">The Ethics and Conduct Regulation</a>

4. Governance, commitments and engagement				
GRI		ISO 26000		Reference in the Report
Profile	Description	Core subjects and issues	Section	
4.9	Procedures of the chief governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence to or compliance with internationally agreed standards, codes of conduct and principles.	Organizational governance	6.2	<a href="#">Performance of the Board</a>
4.10	Processes for evaluating the chief governance body's own performance, particularly with respect to economic, environmental and social issues.	Organizational governance	6.2	<a href="#">Performance of the Board</a>
4.11	Description of how the organization has adopted a precautionary approach or principle.	Organizational governance	6.2	<a href="#">Ethics Committee</a>
4.12	Externally developed economic, environmental, and social charters, principles or other initiatives which the organization subscribes to or endorses.	Organizational governance	6.2	<a href="#">Our community investment</a>

<b>4. Governance, commitments and engagement</b>				
<b>GRI</b>		<b>ISO 26000</b>		<b>Reference in the Report</b>
<b>Profile</b>	<b>Description</b>	<b>Core subjects and issues</b>	<b>Section</b>	
4.13	Memberships in major associations (such as industry associations) and/or national and international advocacy organizations, in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantial funding beyond membership dues; or * Views membership as strategic.	Organizational governance	6.2	<a href="#">External acknowledgment</a>
4.14	List of stakeholder groups engaged by the organization.	Organizational governance	6.2	<a href="#">Our stakeholders</a>
4.15	Basis for identification and selection of stakeholders with whom to engage.	Organizational governance	6.2	<a href="#">About this report</a>
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Organizational governance	6.2	<a href="#">Our stakeholders</a>
4.17	Key issues and concerns that have emerged through stakeholder engagement, and how the organization has responded to those key issues and concerns in producing its report.	Organizational governance	6.2	<a href="#">About this report</a>

## Part 2: Performance Indicators

1. Economic					
1.1. Economic Performance					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Community involvement and development.	6.8	<a href="#">Economic value generated and distributed</a>  <a href="#">Contributions</a>	✓
		Active community involvement.	6.8.3		
		Wealth and income creation.	6.8.7		
		Social investment.	6.8.9		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Climate change mitigation and action	6.5.5	<a href="#">Carbon strategy</a>  <a href="#">Carbon Disclosure Project</a>	✓ <sup>(1)</sup>
EC3	Coverage of the organization's defined benefit plan obligations.			<a href="#">Compensation and remuneration systems</a>  Note 19 of the Annual Accounts	✓
EC4	Significant financial aid received from governments.			<a href="#">Financial aid received</a>	✓

1. Economic					
1.2. Market presence					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
EC5	Range of ratios of standard entry-level wage compared to local minimum wage at significant operations locations.	Work conditions and social protection	6.4.4	<a href="#">Compensation and remuneration systems</a>	✓
		Community involvement and development	6.8		
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant operation locations.	Promoting social responsibility in the value chain.	6.6.6	<a href="#">Local purchasing</a>	✓
		Community involvement and development.	6.8		
		Employment creation and skills development.	6.8.5		
		Wealth and income creation.	6.8.7		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant operation locations.	Community involvement and development.	6.8	<a href="#">Equal opportunities</a>	✓
		Employment creation and skills development.	6.8.5		
		Wealth and income creation.	6.8.7		

1. Economic					
1.3. Indirect economic impacts					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	Economic, social and cultural rights.	6.3.9	<a href="#">Our community investment</a>	✓
		Community involvement and development.	6.8		
		Active community involvement.	6.8.3		
		Education and culture.	6.8.4		
		Employment creation and skills development.	6.8.5		
		Technology development and access.	6.8.6		
		Wealth and income creation.	6.8.7		
Social investment.	6.8.9				

1. Economic					
1.3. Indirect economic impacts					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
EC9*	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Economic, social and cultural rights.	6.3.9	<a href="#">Our stakeholders</a>  <a href="#">Our community investment</a>	✓
		Promoting social responsibility in the value chain.	6.6.6		
		Respect for property rights.	6.6.7		
		Access to essential services.	6.7.8		
		Community involvement and development.	6.8		
		Employment creation and skills development.	6.8.5		
		Technology development and access.	6.8.6		
		Wealth and income creation.	6.8.7		
Social investment.	6.8.9				
OG1	Volume and characteristics of estimated proven reserves and production.			<a href="#">Reserves and production</a>	✓



2. Environmental					
2.1. Materials					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
EN1	Materials used by weight or volume.	The environment.	6.5	The breakdown is only provided for raw materials (processed crude oil or refinery feedstocks): 37,551,320 tons of crude oil + 339,920 tons of other refinery feedstocks.  These data do not correspond to those included in the company's Management Report 2012 since the data in the aforesaid report are calculated according to holdings; they include reclassifications and take internal sale and purchase arrangements into account.	✓ (2)
		Sustainable use of resources	6.5.4		
EN2	Percentage of materials used that are recycled input materials.	The environment.	6.5	Not material	N.A.
		Sustainable use of resources.	6.5.4		

2. Environmental					
2.2. Energy					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
EN3	Direct energy consumption by primary energy source.	The environment.	6.5	<a href="#">Low carbon strategy – Our data</a>	✓ (3)
		Sustainable use of resources.	6.5.4	<a href="#">Low carbon strategy – Our results</a>	
EN4	Indirect energy consumption by primary source.	The environment.	6.5	<a href="#">Low carbon strategy – Our data</a>	✓ (4)
		Sustainable use of resources.	6.5.4	<a href="#">Low carbon strategy – Our results</a>	
OG2	Total amount invested in renewable energy			<a href="#">Non-fossil energy</a>	✓ (5)
OG3	Total amount of renewable energy generated, by type			<a href="#">Non-fossil energy</a>	✓

2. Environmental					
2.3. Water					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
EN8	Total water withdrawal by source	The environment.	6.5	<a href="#">Minimizing environmental impacts – Our data</a>	☑
		Sustainable use of resources.	6.5.4	<a href="#">Water management</a>	
EN9	Water sources significantly affected by withdrawal of water			<a href="#">Water management</a>	✓ (5)

2. Environmental					
2.4. Biodiversity					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
EN11	Description of land adjacent to or located within protected natural spaces and unprotected areas of high biodiversity. State the location and size of lands owned, leased or managed which have high biodiversity and are outside protected areas.	The environment.  Protection of the environment and biodiversity, and restoration of natural habitats.	6.5  6.5.6	<a href="#">Biodiversity</a>	✓
EN12	Description of the most significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	The environment.  Protection of the environment and biodiversity, and restoration of natural habitats.	6.5  6.5.6	<a href="#">Biodiversity</a>	✓
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	The environment.  Protection of the environment and biodiversity, and restoration of natural habitats.	6.5  6.5.6	<a href="#">Biodiversity</a>	✓
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored.			Unavailable	N.A.

2. Environmental					
2.5. Emissions, water discharges and waste					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
EN16	Total direct and indirect greenhouse gas emissions by weight.	The environment. Climate change mitigation and action.	6.5 6.5.5	<a href="#">Low carbon strategy – Our data</a>	<input checked="" type="checkbox"/>
EN17	Other indirect greenhouse gas emissions, by weight.	The environment. Climate change mitigation and action.	6.5 6.5.5	<a href="#">Low carbon strategy – Our data</a> <a href="#">Low carbon strategy – Our results</a>	✓
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	The environment. Pollution remediation.	6.5 6.5.5	<a href="#">Management in the value chain</a>	<input checked="" type="checkbox"/>
EN19	Emissions of ozone-depleting substances, by weight.	The environment. Pollution remediation.	6.5 6.5.5	Not material	N.A.
EN20	NOx, SOx and other significant air emissions by type and weight.	The environment. Pollution remediation.	6.5 6.5.5	<a href="#">Minimizing environmental impacts – Our data</a> <a href="#">Atmospheric emissions</a>	<input checked="" type="checkbox"/>
EN21	Total wastewater discharges by nature and destination.	The environment. Pollution remediation.	6.5 6.5.5	<a href="#">Minimizing environmental impacts – Our data</a> <a href="#">Water management</a>	✓
EN22	Total weight of waste generated by type and disposal method.	The environment. Pollution remediation.	6.5 6.5.5	<a href="#">Minimizing environmental impacts – Our data</a> <a href="#">Waste management</a>	<input checked="" type="checkbox"/>
OG5	Volume of produced water			<a href="#">Minimizing environmental impacts – Our data</a> <a href="#">Water management</a>	<input checked="" type="checkbox"/>

2. Environmental					
2.5. Emissions, water discharges and waste					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
EN23	Total number and volume of significant spills.	The environment.	6.5	<a href="#">Minimizing environmental impacts – Our data</a>  <a href="#">Prevention of spills</a>	<input checked="" type="checkbox"/>
		Pollution remediation.	6.5.5		
OG6	Volume of flared and vented hydrocarbon			<a href="#">Low carbon strategy – Our results</a>	✓ <sup>(6)</sup>
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal			<a href="#">Waste management</a>	✓

2. Environmental					
2.6. Products and services					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	The environment.	6.5	<a href="#">Atmospheric emissions</a>  <a href="#">Management in the value chain</a>	✓ <sup>(5)</sup>
		Sustainable use of resources.	6.5.4		
		Promoting social responsibility in the value chain.	6.6.6		
		Sustainable consumption.	6.7.5		
EN27	Percentage of products sold and their packaging materials that are reclaimed at the end of their useful life, by product category.	The environment.	6.5	Not material	N.A.
		Sustainable use of resources.	6.5.4		
		Sustainable consumption.	6.7.5		
OG8	Benzene, lead and sulfur content in fuels.			<a href="#">Atmospheric emissions</a>	✓

2. Environmental					
2.7. Compliance					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
EN28	Cost of significant fines and number of non-monetary sanctions for non-compliance with environmental laws and regulations.	The environment.	6.5	<a href="#">Minimizing environmental impacts – Our data</a>	✓

3. Social: Labor and ethical work practices					
3.1. Employment					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
LA1	Breakdown of total workforce by employment type, employment contract and region, broken down by gender.	Labor practices. Employment and employment relationships	6.4 6.4.3	<a href="#">Employment at Repsol</a>	<input checked="" type="checkbox"/>
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region.	Labor practices. Employment and employment relationships	6.4 6.4.3	<a href="#">Employment at Repsol</a> <a href="#">Retention of talent</a>	<input checked="" type="checkbox"/>
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant operation locations.	Labor practices. Employment and employment relationships Work conditions and social protection	6.4 6.4.3 6.4.4	<a href="#">Compensation</a>	✓
LA15	Return to work and retention rates after parental leave, by gender.			Unavailable	N.A.

3. Social: Labor and ethical work practices					
3.2. Labor relations/ workers					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
LA4	Percentage of employees covered by collective bargaining agreements.	Labor practices. Employment and employment relationships Work conditions and social protection Social dialog. Fundamental principles and rights in the workplace.	6.4 6.4.3 6.4.4 6.4.5 6.3.10	<a href="#">Labor relations</a>	✓

3. Social: Labor and ethical work practices					
3.2. Labor relations/ workers					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Labor practices.	6.4	<a href="#">Labor relations</a>	✓ (7)
		Employment and employment relationships	6.4.3		
		Work conditions and social protection	6.4.4		
		Social dialog.	6.4.5		

3. Social: Labor and ethical work practices					
3.3. Occupational health and safety					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
LA6*	Percentage of total workforce represented in formal joint management–worker health and safety committees, set up to help monitor and advise on occupational health and safety programs.			Not material	N.A.
LA7	Rates of absenteeism, occupational illnesses, lost days and total number of work-related fatalities, by region and by gender.	Labor practices.	6.4	<a href="#">Health and safety</a> <a href="#">Improving our accident rate</a> <a href="#">Safety culture</a>	✓ (8)
		Health and safety at work.	6.4.6		



3. Social: Labor and ethical work practices						
3.3. Occupational health and safety						
GRI		ISO 26000		Reference in the Report	Verification (**)	
Performance indicator	Description	Core subjects and issues	Section			
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Labor practices.			<a href="#">Health and safety</a> <a href="#">Process safety</a> <a href="#">Transport safety</a> <a href="#">Safety culture</a>	✓
		Health and safety at work.	6.4			
			6.4.6			
		Community involvement and development.	6.8			
		Active community involvement.	6.8.3			
		Education and culture.	6.8.4			
Health.	6.8.8					
LA9*	Health and safety issues covered in formal agreements with trade unions.			Not material	N.A.	

3. Social: Labor and ethical work practices					
3.4. Training and education					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
LA10	Average hours of training per year per employee, broken down by gender and by employee category.	Labor practices.	6.4	<a href="#">Training</a>	✓
		Human development and training in the workplace.	6.4.7		
LA11*	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Labor practices.		<a href="#">Retention of talent</a>	✓
		Human development and training in the workplace.	6.4		
		Employment creation and skills development.	6.4.7 6.8.5		

3. Social: Labor and ethical work practices					
3.4. Training and education					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
LA12*	Percentage of employees receiving regular performance and career development reviews, by gender.	Labor practices.	6.4	<a href="#">Retention of talent</a>	✓
		Human development and training in the workplace.	6.4.7		
		Employment creation and skills development.	6.8.5		

3. Social: Labor and ethical work practices					
3.5. Diversity and equal opportunity					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
LA13	Composition of corporate governance bodies and breakdown of employees, by employee category, gender, age group, minority group membership, and other indicators of diversity.	Discrimination and vulnerable groups.	6.3.7	<a href="#">Good governance</a> <a href="#">Employment at Repsol</a> <a href="#">Diversity</a>	☑
		Fundamental principles and rights in the workplace.	6.3.10		
		Labor practices.	6.4		
		Employment and employment relationships	6.4.3		

3. Social: Labor and ethical work practices					
3.6. Equal pay for women and men					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
LA14	Ratio of basic salary and pay of women to men by employee category, by significant operation locations.	Discrimination and vulnerable groups.	6.3.7	<a href="#">Equal opportunities</a>	✓
		Fundamental principles and rights in the workplace.	6.3.10		
		Labor practices.	6.4		
		Employment and employment relationships	6.4.3		
		Work conditions and social protection	6.4.4		

4. Social: Human rights					
4.1. Investment and procurement practices					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
HR1	Percentage and total number of significant investment agreements and contracts that include clauses that address human rights concerns, or that have undergone human rights screening.	Human rights.	6.3	<a href="#">Due diligence</a> <a href="#">Community relations</a> <a href="#">Indigenous communities</a>	✓ (5)
		Due diligence.	6.3.3		
		Avoidance of complicity.	6.3.5		
		Promoting social responsibility in the value chain.	6.6.6		

4. Social: Human rights					
4.1. Investment and procurement practices					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	Human rights.	6.3	<a href="#">New assets</a>	✓ (5)
		Due diligence.	6.3.3	<a href="#">Non-operated partnerships</a>	
		Avoidance of complicity.	6.3.5	<a href="#">Responsible supplier management</a>	
		Employment and employment relationships	6.4.3	<a href="#">Supplier audits</a>	
		Promoting social responsibility in the value chain.	6.6.6	<a href="#">Security providers</a>	
HR3*	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Human rights.	6.3	<a href="#">Human rights - Training and awareness-raising</a>	✓
		Avoidance of complicity.	6.3.5		

4. Social: Human rights					
4.2. Non-discrimination					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
HR4	Total number of incidents of discrimination and corrective actions taken.	Human rights.	6.3	<a href="#">Our relationships</a>	✓ (9)
		Resolving grievances.	6.3.6		
		Fundamental principles and rights in the workplace.	6.3.10		
		Employment and employment relationships	6.4.3		

4. Social: Human rights					
4.3. Freedom of association and collective bargaining					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Human rights.	6.3	<a href="#">Supplier audits</a>  <a href="#">Our relationships</a>	✓
		Due diligence.	6.3.3		
		Human rights risk situations.	6.3.4		
		Avoidance of complicity.	6.3.5		
		Civil and political rights.	6.3.8		
		Fundamental principles and rights in the workplace.	6.3.10		
		Employment and employment relationships	6.4.3		
		Social dialog.	6.4.5		

4. Social: Human rights					
4.4. Child labor					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
HR6	Significant operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Human rights.	6.3	<a href="#">Supplier audits</a>  <a href="#">Our relationships</a>	✓
		Due diligence.	6.3.3		
		Human rights risk situations.	6.4.3		
		Avoidance of complicity.			
		Discrimination and vulnerable groups.	6.3.5		
		Fundamental principles and rights in the workplace.	6.3.7		
			6.3.10		

4. Social: Human rights					
4.5. Forced or compulsory labor					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
HR7	Significant operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Human rights.	6.3	<a href="#">Supplier audits</a>  <a href="#">Our relationships</a>	✓
		Due diligence.	6.3.3		
		Human rights risk situations.	6.3.4		
		Avoidance of complicity.			
		Discrimination and vulnerable groups.	6.3.5		
		Fundamental principles and rights in the workplace.	6.3.7		
			6.3.10		

4. Social: Human rights					
4.6. Security Practices					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
HR8*	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Human rights.	6.3	<a href="#">Corporate security</a>	✓ (10)
		Resolving grievances.	6.3.5		
		Discrimination and vulnerable groups.	6.3.8		
		Civil and political rights.	6.6.7		
		Respect for property rights.			

4. Social: Human rights					
4.7. Indigenous rights					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
HR9*	Total number of incidents of violations involving rights of indigenous people and actions taken.	Human rights.	6.3	<a href="#">Indigenous communities</a>	✓ (11)
		Resolving grievances.	6.3.6		
		Discrimination and vulnerable groups.	6.3.7		
		Civil and political rights.	6.3.8		
		Respect for property rights.	6.6.7		

4. Social: Human rights					
4.8. Assessment					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.			<a href="#">Our activity</a> <a href="#">Due diligence</a> <a href="#">Corporate security</a>	✓ (5)
OG9	Operations at sites where indigenous communities are present, or in areas that are adjacent or affected by activities, and percentage of these sites and where specific engagement strategies are in place			<a href="#">Indigenous communities</a>	✓

4. Social: Human rights					
4.9. Remediation					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.			<a href="#">Communication channels</a>	✓



5. Social: Society					
5.1. Local communities					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
SO1	Percentage of operations where local community engagement, impact assessments and development programs have been implemented.	Economic, social and cultural rights.	6.3.9	<a href="#">Community relations</a>  <a href="#">Due diligence</a>  <a href="#">Our activity</a>	✓ <sup>(5)</sup>
		Community involvement and development.	6.8		
		Employment creation and skills development.	6.8.5		
		Wealth and income creation.	6.8.7		
		Respect for property rights.	6.6.7		
SO9	Operations with significant potential or actual negative impacts on local communities.			<a href="#">Our activity</a>	✓
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual impacts on local communities.			<a href="#">Our activity</a>	✓
OG10	Number and description of significant disputes with local communities and indigenous peoples.			<a href="#">Indigenous communities</a>	✓ <sup>(11)</sup>
OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned.			<a href="#">Our activity</a>	✓

5. Social: Society					
5.2. Corruption					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Fair operating practices. Anti-corruption.	6.6 6.6.3	<a href="#">Other monitoring systems</a> <a href="#">Combating corruption</a>	✓
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fair operating practices. Anti-corruption.	6.6 6.6.3	<a href="#">Ethical conduct - Training and awareness-raising</a>	✓ <sup>(12)</sup>
SO4	Actions taken in response to incidents of corruption.	Fair operating practices. Anti-corruption.	6.6 6.6.3	<a href="#">Management of non-compliance</a> <a href="#">Our relationships</a>	✓

5. Social: Society					
5.3. Public policy					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
SO5	Public policy stance and participation in public policy development and lobbying.	Fair operating practices. Responsible political involvement. Active community involvement.	6.6 6.6.4 6.8.3	<a href="#">Other issues</a>	✓
SO6*	Total value of financial and in-kind contributions to political parties, politicians and related institutions, by country.			<a href="#">Other issues</a>  The Repsol anti-corruption policy, which was approved in 2012, prohibits the making or offering of payments or any other benefits, whether directly or indirectly, to individuals or legal entities in the service of any public or private authorities or organizations, political parties or candidates for public office. This prohibition is also set out in the Ethics and Conduct Regulation for Repsol employees.	✓ (5)

5. Social: Society					
5.4. Anticompetitive behavior					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
SO7*	Total number of legal actions for anticompetitive behavior, antitrust, and monopoly practices and their outcomes.	Fair operating practices.	6.6	<a href="#">Other issues</a>  Notes 18 and 35 of the Annual Accounts.	✓
		Fair competition.	6.6.5		
		Respect for property rights.	6.6.7		

5. Social: Society					
5.5. Compliance					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fair operating practices.	6.6	Notes 18 and 35 of the Annual Accounts.	✓
		Respect for property rights.	6.6.7		
		Wealth and income creation.	6.8.7		

5. Social: Society					
5.6. Involuntary resettlements					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
OG12	Enumerate, quantify and describe the cases where involuntary resettlement necessary for the company's activities took place.			<a href="#">Indigenous communities</a>	✓

5. Social: Society					
5.7. Asset integrity and process safety					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
OG13	Number of process safety events, by business activity.			Unavailable	N.A.

6. Social: Product Responsibility					
6.1. Customer health and safety					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
PR1	Life-cycle stages in which health and safety impacts of products and services are assessed, for improvement if necessary, on the health and safety of customers, and the percentage of significant products and services categories subject to such assessment procedures.	Economic, social and cultural rights.	6.3.9	<a href="#">Product safety</a>	✓
		Promoting social responsibility in the value chain.	6.6.6		
		Consumer issues.	6.7		
		Protecting consumers' health and safety.	6.7.4		
PR2	Total number of incidents arising from non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life-cycle, by types of outcome.	Economic, social and cultural rights.	6.3.9	<a href="#">Product safety</a>	✓
		Promoting social responsibility in the value chain.	6.6.6		
		Consumer issues.	6.7		
		Protecting consumers' health and safety.	6.7.4		
		Sustainable consumption.	6.7.5		

6. Social: Product Responsibility					
6.2. Product and service labeling					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
PR3	Type of product and service information required by current procedures and regulations, and percentage of products and services subject to such information requirements.	Consumer issues.	6.7	<a href="#">Product safety</a>	✓
		Fair marketing, factual and unbiased information and fair contractual practices.	6.7.3		
		Protecting consumers' health and safety.	6.7.4		
		Sustainable consumption.	6.7.5		
		Consumer service, support, and complaint and dispute resolution.	6.7.6		
		Education and awareness.	6.7.9		

6. Social: Product Responsibility					
6.2. Product and service labeling					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
PR4*	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Consumer issues.	6.7	<a href="#">Product safety</a>	✓
		Fair marketing, factual and unbiased information and fair contractual practices.	6.7.3		
		Protecting consumers' health and safety.	6.7.4		
		Sustainable consumption.	6.7.5		
		Consumer service, support, and complaint and dispute resolution.	6.7.6		
Education and awareness.	6.7.9				
PR5*	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Consumer issues.	6.7	<a href="#">Customer satisfaction</a>	✓
		Protecting consumers' health and safety.	6.7.4		
		Sustainable consumption.	6.7.5		
		Consumer service, support and complaint and dispute resolution.	6.7.6		
		Access to essential services.	6.7.8		
Education and awareness.	6.7.9				

6. Social: Product Responsibility					
6.3. Marketing Communications					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
PR6	Programs for compliance with laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	<p>Consumer issues.</p> <p>Fair marketing, factual and unbiased information and fair contractual practices.</p> <p>Consumer service, support and complaint and dispute resolution.</p> <p>Education and awareness.</p>	<p>6.7</p> <p>6.7.3</p> <p>6.7.6</p> <p>6.7.9</p>	<a href="#">Responsible advertising</a>	✓
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcome.	<p>Consumer issues.</p> <p>Fair marketing, factual and unbiased information and fair contractual practices.</p> <p>Consumer services, support and complaint and dispute resolution.</p> <p>Education and awareness.</p>	<p>6.7</p> <p>6.7.3</p> <p>6.7.6</p> <p>6.7.9</p>	<a href="#">Responsible advertising</a>	✓



6. Social: Product Responsibility					
6.4. Compliance					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of the organization's products and services.	Consumer issues.  Consumer service, support and complaint and dispute resolution.	6.7  6.7.6	<a href="#">Product safety</a>	✓

6. Social: Product Responsibility					
6.5. Biofuels					
GRI		ISO 26000		Reference in the Report	Verification (**)
Performance indicator	Description	Core subjects and issues	Section		
OG14	Volume of biofuels produced, purchased and sold			<a href="#">Low carbon strategy – Our data</a>  <a href="#">Non-fossil energy</a>  <a href="#">Low carbon strategy – Our results</a>	✓

\* Additional indicator GRI G3.1

\*\* External verification refers to the GRI G3.1

✓ revised Indicator

extended for reasonable security procedures of the information reported

N. A. Not Applicable

(1) The regarding CDP questionnaire available is 2011, not being available at the date of this report the information of 2012.

(2) A breakdown of the main raw material is processed and other raw materials.

(3) Does not include information on energy intensive indicators.

(4) Not broken down by primary sources.

(5) Informed qualitatively.

(6) Only reports flared gas.

(7) Reported from Spain, Colombia, Portugal and Venezuela.

(8) Reported common sickness absence in Spain, and the rate of occupational diseases, accident rate and number of deaths in the Group.

(9) Reported incidents of domestic discrimination.

- (10) Reported the security personnel trained in Peru, Ecuador and Bolivia.
- (11) Reports on significant incidents.
- (12) Reported on awareness raising actions regarding the Ethics and Conduct Regulation.

## Statement GRI Application Level Check

GRI hereby states that **Repsol S.A.** has presented its report “2012 Corporate Responsibility Report” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 14 March 2013



Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The “+” has been added to this Application Level because Repsol S.A. has submitted (part of) this report for external assurance. GRI accepts the reporter’s own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world’s most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 1 March 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

# Verification letter