

Corporate Responsibility Annual Report 2007



Repsol YPF, S.A.

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Letter from the Chairman and CEO



No company can prosper if it is not attentive to the expectations of contemporary society. At Repsol YPF we know that our responsibility is to offer products and services that efficiently satisfy the growing energy demand driven by social and economic development, in a safe and sustainable manner.

We want to meet that challenge and we have the capacity and know-how to do so. That is our objective when we improve the efficiency of our products and processes, minimize their environmental impact and position ourselves at the forefront of our industry's technological developments.

We are also facing our stakeholders' expectations through specific policies aimed at attracting and retaining talent, gaining the trust of local communities, preserving biodiversity and applying transparency criteria to relations with authorities in the countries where we operate.

Let us not forget that Repsol YPF engages in activities in over thirty countries and in highly diverse economic, cultural and social environments. We therefore try to apply global practices, policies and standards, at the same time respecting local sensitivities, in order to understand and respond to the specific needs of the communities with which we interact at the different stages of our business.

Regard for local particularities helps us come closer to society's concerns and reduce the inherent ethical, environmental and social risks of our activity. It also enables us to protect and strengthen our reputation, identify business opportunities and encourage social trust in our company.

In 2007 we set in motion a number of actions established in the 2007-2009 Corporate Responsibility Master Plan in order to take on these challenges. I am pleased to note that, at the end of the year, over thirty initiatives from the aforementioned Plan were underway, almost 50% of the total planned for its three-year duration.

Repsol YPF's endeavours toward transparency, sustainability and corporate responsibility continue to achieve society's recognition. Our company is included, among others, on the Dow Jones Sustainability Index and Climate Leadership Index, which represent external acknowledgement, validated by the markets, of the company's efforts on such issues as reporting transparency and climate change.

These recognitions undoubtedly motivate us working at Repsol YPF with the aim of fulfilling our company's role in society and, therefore, contribute to the shared objective of building a better world for all. Repsol YPF adheres to the United Nations Global Compact, and views its ten principles as the threshold for companies that are responsible and conscious of the global challenges on which the business community must act.

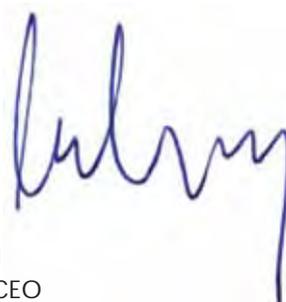
In 2007 significant steps were taken in good governance and corporate responsibility. The Board of Directors of Repsol YPF agreed to change its Regulations to ratify the company's commitment to corporate responsibility. The functions of the Strategy, Investments and Corporate Social Responsibility Commission, which supervises the company's policies, objectives and guidelines in this respect, were approved. The Board also approved the constitution of the Ethics Commission, responsible for overseeing diffusion, comprehension of and compliance with the Ethics and Conduct Regulation within the company.

Our aim is for this report to provide a balanced view of our social and environmental performance. It has been prepared following the Global Reporting Initiative's sustainability reporting guidelines. We also continue to advance in the scope, depth and transparency of the information reported.

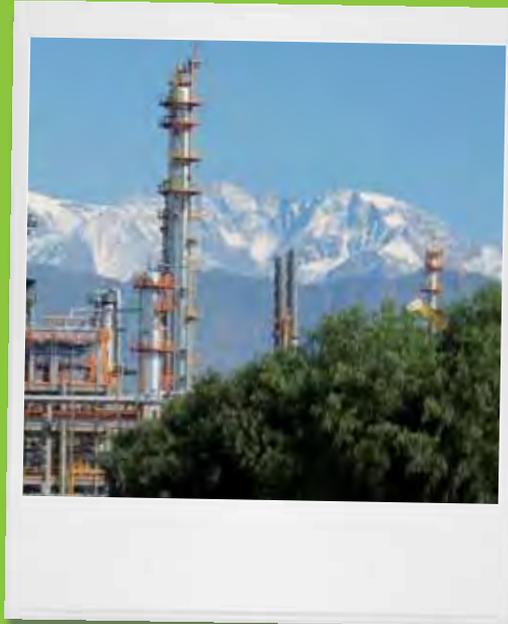
We are convinced that transparency and responsibility are the only way forward for a leading company like Repsol YPF

We have therefore asked the Independent Experts Committee to analyse the contents of our Corporate Responsibility Report. Once again, their conclusions help us identify the most important issues for our stakeholders and improve the information we provide.

The following pages will give you an in-depth insight into the initiatives we have developed to improve not only our corporate responsibility practices, but also the quality of our information. We hope both objectives have been met and that this Report will be useful to those who wish to know better our commitment to society.



Antonio Brufau
Chairman and CEO

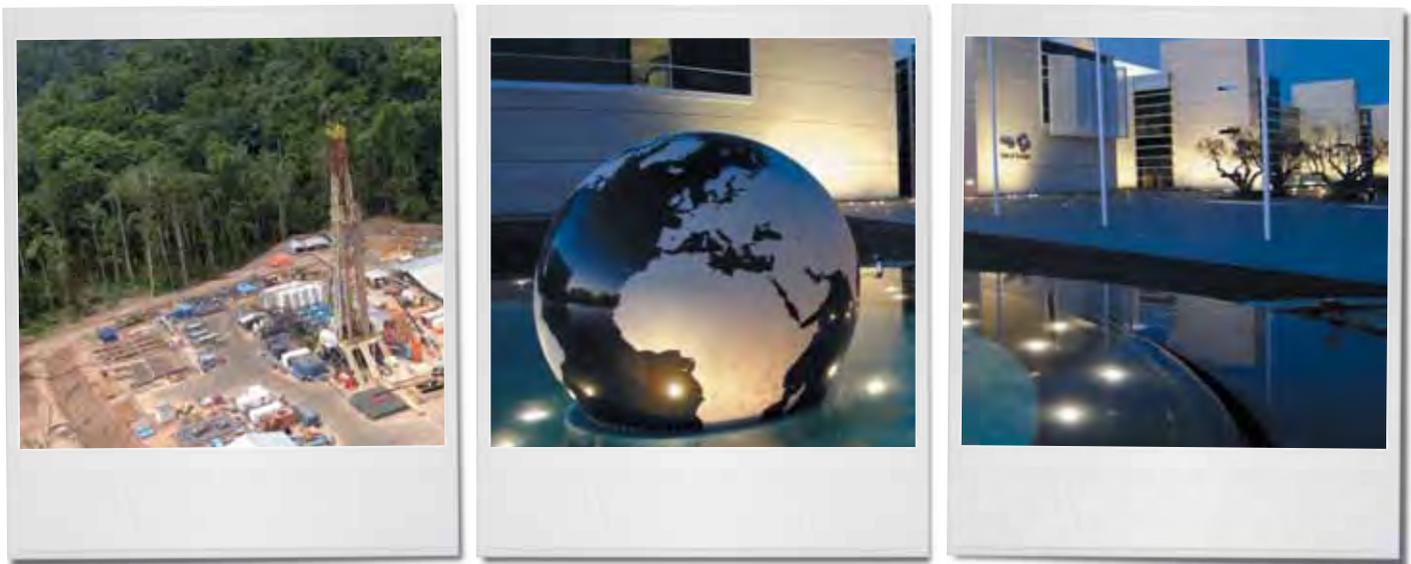


Corporate Responsibility at Repsol YPF

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Repsol YPF's role in society

Accessible, sustainable and safe energy sources are essential for societies to develop and prosper



Therefore, Repsol YPF understands that its main function in society is to satisfy energy needs in those countries where it operates and to do so in an efficient, sustainable and safe manner.

This social function has to be fulfilled in an atmosphere of trust between the company and its stakeholders. Social trust is a fundamental asset for achieving its business objectives, it facilitates a balanced and sustainable distribution of value between its stakeholders and maximises the company's value over time.

Trust is the basis on which society gives the company a licence to operate. Its benefits include enabling Repsol YPF to carry out its business plans with public endorsement, develop its projects in new locations, command the loyalty of its staff and retain regular customers in such a competitive market as energy.

As for the other assets required for business, to earn and uphold social trust companies need to improve the factors that generate that trust. That is how Repsol YPF understands corporate responsibility, as integrating protection of the environment and social well-being appropriately into our practices.

For Repsol YPF, corporate responsibility involves promoting, internally and in its areas of influence, a way of developing its businesses that gains the social trust necessary to fulfil its strategic vision: to be an international integrated oil and gas company, perceived with admiration, and focused on customer service and value creation.

The challenge lies in identifying and confronting the critical factors for building social trust in Repsol YPF, based on the company's characteristics, its sector of activity and where it operates. These critical factors form the key corporate responsibility issues for Repsol YPF, of which management is a priority for the company and of which its stakeholders should be aware. These issues, therefore, are included in this Corporate Responsibility Report, declared A+ based on the levels of application defined by the Global Reporting Initiative.

The company identifies the main key issues through its knowledge of the business and analysis of the social, environmental and market environment.

Top key issues for Repsol YPF

A responsible company. Repsol YPF's vision is to be an international integrated oil and gas company, perceived with admiration, and focused on customer service and value creation.

New energy challenges

We ensure that energy is available by extending our activities, making efficient use of resources and investing in new fuels and advanced technologies that make possible to take advantage of new energy vectors.

Climate change

We contribute to sustainable development and a low carbon economy, managing our impact on climate change without compromising the growing energy demand of the societies where we are present.

Safety

We are committed to the health, safety and welfare of our employees and contractors, our customers and anyone that could be affected by our activities.

Ethical behaviour

Ethical behaviour is inherent to our business model, represents a source of competitive advantages and a key and differentiating factor of the company in an increasingly complex environment.

Dialogue and commitment

Our objective is to gain the trust of the societies in which we are present, understanding their needs and demonstrating commitment to their well-being in our business plans.

Our people

Our vision can only be fulfilled with the best people. Therefore we aspire to be the company of choice for the best professionals in the industry, offering attractive careers and promoting diversity and equal opportunities.

Environmental management

Our commitment is to minimize the environmental impact of our activities, implementing the best technologies in processes and products together with the most advanced systems for environmental management.

Biodiversity

We contribute to the security of the energy supply by implementing procedures and dedicating initiatives and resources aimed at preserving biodiversity in the environment of our operations.

Key issues: social expectations in Repsol YPF's different environments

Repsol YPF is an international company operating in highly diverse geographical, cultural and social environments. The company has policies and procedures to ensure that such aspects as the environment, human resources or commitment to the community, among others, are managed consistently in all its activities in any part of the world. This uniformity makes it easier to manage activities and to report results achieved to stakeholders.

Such diversity, however, means that Repsol YPF's key corporate responsibility issues do not mean exactly the same in all its fields of operation. Expectations vary in different environments and require appropriate responses.

In terms of the expectations generated among stakeholders, local sensitivity allows to introduce some shades to the meaning of the issues in OECD countries and emerging economies.

Social trust is a fundamental asset for achieving Repsol YPF's business objectives

Key issues	Expectations in OECD countries	Expectations in emerging economies
New energy challenges	Development of new technologies, fuels and energy vectors.	Transfer of knowledge and new technologies.
	Focus on the efficiency of products and management of demand.	Meeting growing demand.
Climate change	Focus on the efficiency of processes and products.	Transfer of technologies that enable cleaner development.
	Response to growing regulatory intensity.	Meeting growing customer energy needs with less resources.
Commitment to safety	Extension to the supply chain.	Transfer of best practices and procedures availables.
	Staff training.	Extension of the safety culture.
	Regulatory compliance.	
Ethical behaviour	Adoption of standards and monitoring throughout the value chain.	Transparency of information on issues like human rights.
	Transfer of best practices and procedures available.	Leadership by example compared to suppliers and local companies.
		Regulatory compliance and contribution to institutional development.
Dialogue and commitment to the community	Help achieve the Millennium Development Goals and alleviate unaddressed social problems.	Support for the underprivileged.
		Equitable distribution of the benefits of development.
		Creation of social awareness of environmental and social issues.
		Education for sustainable development.
		Management of relations with local communities.
		Development of activities for the base of the pyramid.
Our people	Health and safety in the workplace.	Quality job creation.
	Response to new challenges such as equal opportunities or the ageing population.	Development of environmental and social awareness of employees.
		Health and safety assurance.
Environmental management	Focus on the efficiency of processes and products..	Promotion of environmental awareness throughout the value chain.
	Management of demand and customers' environmental awareness.	Transfer of procedures and best practices.
		Safety and environmental suitability of products.
Biodiversity	Transparency of information for stakeholders.	Implementation of operational best practices.
	Contribution via social investment in environmental projects.	Dialogue with local communities.

Advances in the implementation of the 2007-2009 Corporate Responsibility Master Plan

Repsol YPF aims to consolidate its position in all the countries in which it is present, developing its business responsibly and gaining the trust of its stakeholders.

The 2007-2009 Corporate Responsibility Master Plan was designed and approved for this purpose and organises, guides and coordinates the company's approaches in corporate responsibility.

The Corporate Responsibility Master Plan includes nine programmes, grouped into six strategic lines identified by Repsol YPF, involving all its corporate departments and business areas. It is, therefore, aimed to be a guideline for employees' behaviour while carrying out their duties.

The Plan also includes three transverse programmes related to training, performance monitoring and communication. Overall, Repsol YPF's Master Plan foresees 65 initiatives until the end of 2009, all of which reflect the company's wish to be one of the most admired companies in its sector wherever it operates.

2007 was the first year of the three year Plan. The planned work was supervised by the Corporate Reputation Committee, formed by representatives from all the company's divisions and business units.

Over thirty of the initiatives foreseen by the Corporate Responsibility Master Plan were carried out, which is almost 50% of the total programmed, reflecting a very high level of execution during its first year.

The initiatives carried out within the framework of the Master Plan are outlined in each of the chapters of this 2007 Corporate Responsibility Report of Repsol YPF.



Source and destination of the company's resources

The distribution of value to Repsol YPF's different stakeholders gives an idea of the impact of our business on society in general and is demonstrated by the following indicators.

In 2007, Repsol YPF's operating revenue totalled euros 55,923 million.

- Taxes paid to national governments or any other type of tax totalled euros 15,667 million; 75% are levied taxes and the rest income and other taxes.

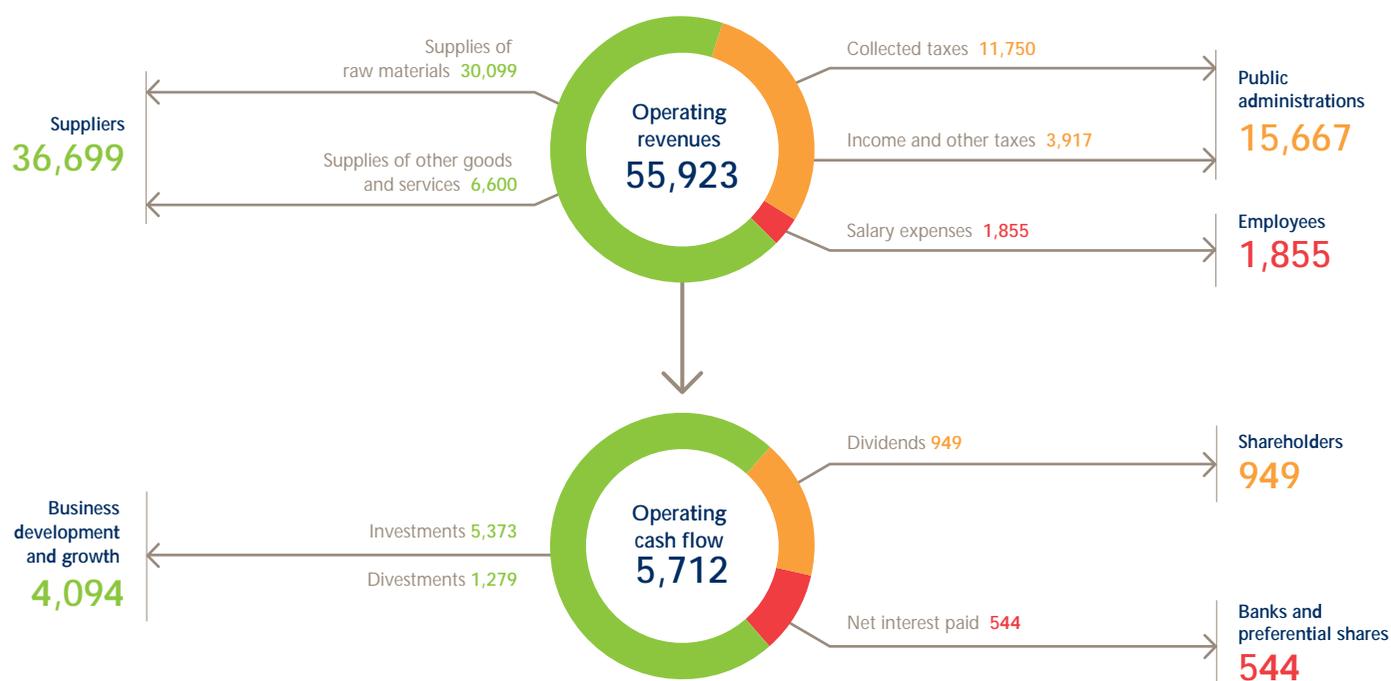
- Supplies amounted to euros 36,699 million, including the purchase of raw materials and other goods and services. Of the total supplies, approximately euros 30,000 million were earmarked for crude oil and other raw materials.
- Salary expenses totalled euros 1,855 million.

Cash flows from operations totalled euros 5,712 million and were used to:

- Improve and boost business, with capital investments of euros 5,373 million.
- Remunerate the shareholders with dividend payments of euros 949 million.

The company's financial statements can be found in the 2007 Annual Report available at repsolypf.com

Distribution of value (million euros)



About this report

This Report has been prepared in accordance with strict guidelines such as those of the Global Reporting Initiative, a key tool for addressing the concerns and requests of the main stakeholders

Elaboration principles

This report reflects the material information on Repsol YPF's corporate responsibility performance in 2007, and should be read with the information on the company's corporate website under the Corporate Responsibility section.

This report should be read in conjunction with the rest of the corporate information for 2007 prepared by Repsol YPF, including the Consolidated Annual Report, which provide further details of strictly economic and financial management, the Annual Corporate Governance Report, which is based on information regarding Repsol YPF's governance bodies, the Fact Book and other information disclosed on the corporate website.

This Corporate Responsibility Report has been prepared in accordance with the G3 Guidelines of the Global Reporting Initiative and the AA1000 standard, a key tool to bring information disclosed into line with the concerns and requests of the main stakeholders. The company has also taken into consideration the provisions of the oil and gas sector guidelines prepared by IPIECA (International Petroleum Industry Environmental Conservation Association) and API (American Petroleum Institute).

Scope of the report

Data supporting environmental and safety information have been extracted from the company's information systems and verified by third parties. The criteria used to determine data to be included in the report are as follows:

For **environmental data**, as a general rule, 100% of the emissions of different types are recorded for subsidiary companies in which Repsol YPF has a majority shareholding and or effective control.

In the case of greenhouse gases, the emissions produced by companies are also included in proportion to the number of shares held by Repsol YPF in each one, as well as the indirect emissions associated with the purchase of energy from third parties and other significant indirect emissions.

Data regarding safety of 100% of employees in subsidiary companies is included where Repsol YPF has a majority shareholding and or effective control. Contractor employees have been included where Repsol YPF has a direct contract exceeding one year with the respective companies.

Social information included in the report relates to all Repsol YPF employees who formed part of the Group's workforce in 2007, in all geographical areas in which the company operates, and personnel of the fully or proportionally consolidated companies or those in which Repsol YPF has effective control.

The social information relating to the company's relationship with local communities refers to all activities carried out by Repsol YPF and its foundations: Fundación Repsol YPF, Fundación Repsol YPF Ecuador and Fundación YPF, which contribute to the community in the regions in which the company operates.

The **financial information** included in this report which is not related to environmental, safety and social issues mentioned in this chapter, is the audited information published in the Repsol YPF 2007 Annual Report, the scope of which differs from that included in this report and has been externally audited.

		2002 in accordance	C	C+	B	B+	A	A+
Mandatory	Self declared							✓
	Third party checked							✓
Optional	GRI checked							

Global Reporting Initiative application level

Repsol YPF considers that its 2007 Corporate Responsibility Report complies with the requirements to qualify as A+ in terms of the GRI defined application levels. This report has applied the principles and standards set out in the guidelines, and includes all information on companies that produce significant impacts, details of the organization's profile and the management approach in each chapter, as well as all performance indicators defined as principles, applying the materiality criteria to each company's situation.

Repsol YPF has also requested that KPMG Asesores S.L. verify the application of the GRI G3 Guidelines based on the self-assessment performed by the company. Repsol YPF has also requested that the GRI review this self-assessment.

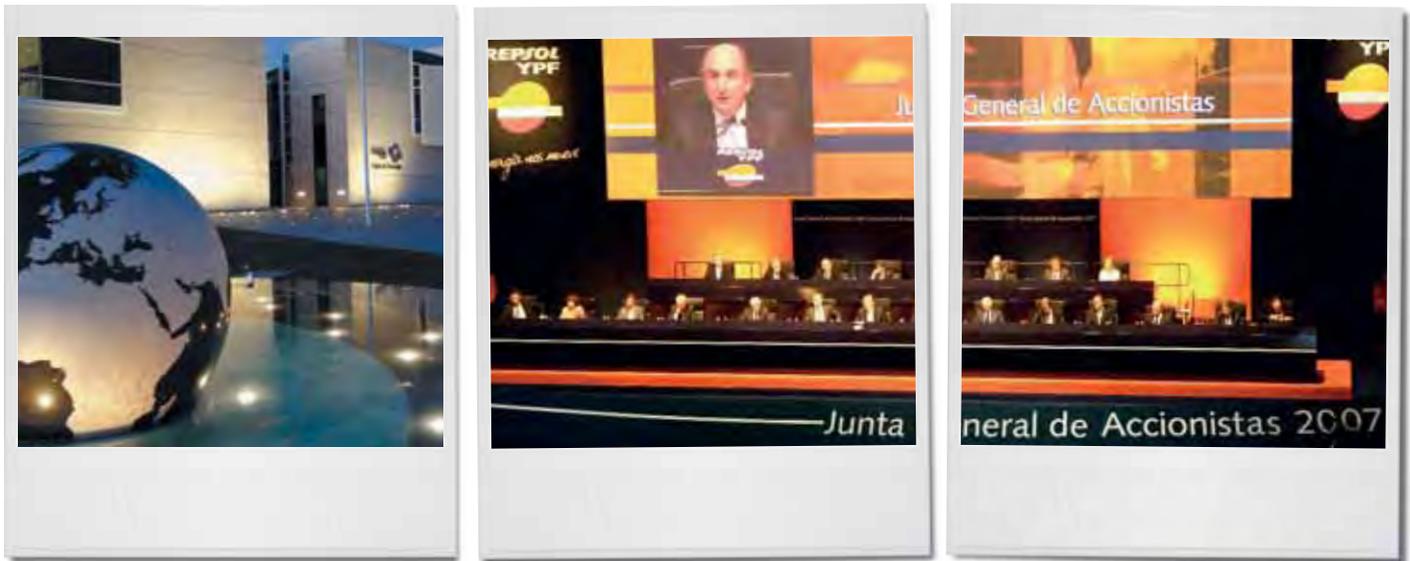


+ information

Corporate Responsibility: corporateresponsibility.repsolypf.com
 Basis of presentation of this report: aboutthisreport.repsolypf.com
 Global Reporting Initiative G3 Guidelines (GRI): www.globalreporting.org/ReportingFramework/G3Online
 AA1000: www.accountability21.net

Good Governance and Corporate Integrity

Repsol YPF has always shown especial sensibility to assume self-regulation principles in Good Governance



Repsol YPF knows how important it is for a major company to have a system of corporate governance that guides its structure and operations in the interest of the company and its shareholders.

The Repsol YPF corporate governance system (essentially included in the Articles of Association and Regulations for the Board of Directors and Annual General Meeting) is founded on the concepts of transparency, shareholder participation, optimum operation of the Board of Directors and independence of the external auditor.

The Annual General Meeting is where the shareholders take part in the company's essential decision-making and act as the company's highest governance body. The company's interests and businesses not subject to approval by the shareholders at the Annual General Meeting are governed, managed and administered by the Board of Directors.

As a general rule, management of the ordinary businesses is entrusted to the Executive Committee and management team, with the Board focusing its activity on general supervision and consideration of those issues of particular importance to the company. The Board of Directors is therefore responsible for such matters as the company's strategic plan, annual budgets and management objectives; financing and investment policy; corporate social responsibility and corporate governance policy; and risk management and control policy, as well as certain decisions and operations of particular importance due to their amount or strategic significance.

At present the Board of Directors is formed by 16 directors, of which two are Executive Directors, six are Institutional Outside Directors and eight are Independent Outside Directors.

The Board of Directors has set up committees with consultation and executive powers for greater efficiency and transparency:

- the Delegate Committee, delegated by the Board of Directors and with executive functions; and
- the Audit and Control Committee, the Nomination and Compensation Committee and Strategy, Investment and Corporate Social Responsibility Committee, as specialised committees with supervisory, reporting, advisory and proposal functions.

These three committees work to facilitate Board decisions preparing studies and backing the Board's guarantees of objectivity when considering and acting on certain issues.

The structure of the Board of Directors and its committees is described in greater detail in the company's Annual Corporate Governance Report for 2007.

Corporate Social Responsibility in the governing bodies of Repsol YPF

The social function of its businesses and creation of value for its shareholders in a sustainable, transparent and responsible manner are important to the company. Consequently, and in line with the recommendations of the Unified Good Governance Code, the Board of Directors reserves the authority to approve the corporate social responsibility policy of Repsol YPF. The Strategy, Investment and Corporate Social Responsibility Committee makes proposals and reports on these areas.

In 2005, the Audit and Control Committee of the Board of Directors formally took up the specific duties for identifying and directing Repsol YPF's policy, objectives and guidelines in the environment and safety field, through the Resources Executive Division.

Independent Experts Committee - Question 10

Why are there so few female directors at Repsol YPF? What measures have been taken to correct that situation? In particular, have initiatives been adopted so that, when new vacancies arise, the Nominations Committee ensures that,; a) selection procedures do not implicitly impede the appointment of female directors; b) the company deliberately seeks, and includes among potential candidates, women that meet the professional profile sought?

On 19 December 2007 the Board of Directors of Repsol YPF, S.A. approved a new modified text for its Regulations that empowered the Nomination and Compensation Committee to evaluate the necessary capacities, knowledge and experience on the Board and, consequently, to define the required duties and aptitudes of candidates for each vacancy, as well as the time and dedication necessary for directors to perform well.

Article 33 of the Board of Directors Regulations expressly establishes that the Nomination and Compensation Committee is responsible for verifying that, when vacancies arise or new directors are appointed, selection procedures are not implicitly discriminatory in any way and that women with the right professional profile are deliberately sought as candidates. Initiatives adopted and results are reported to the Board.

No vacancies have arisen on the Board of Directors of Repsol YPF, S.A. and, consequently, no new directors have been appointed since the aforementioned change to the Board's regulations.

Main Good Governance initiatives during 2007

The company has always shown especial sensibility to assume self-regulatory principles in the area of good governance, as demonstrated by the approval of a Board of Directors regulation in 1995.

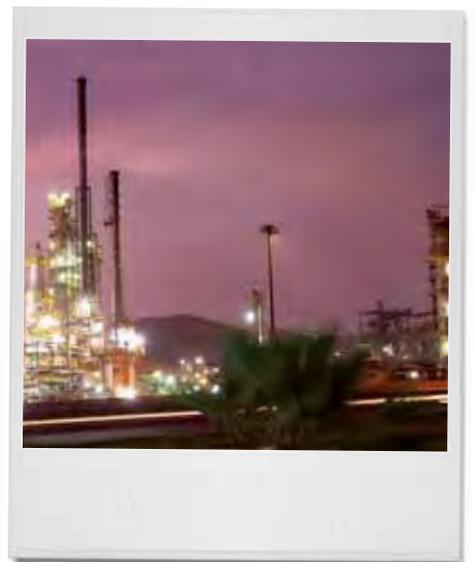
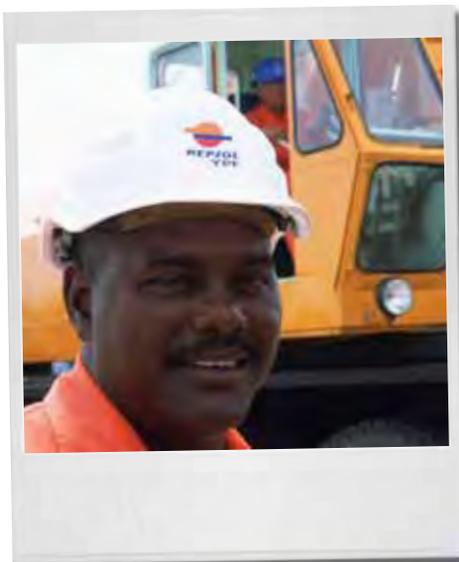
As part of the continuous process of adapting its corporate governance principles to best practices, the company has carried out the following activities during 2007:

- At their Annual General Meeting on 9 May 2007, the shareholders approved the modification of the Articles of Association and Regulations for the Annual General Meeting, mainly to adapt their contents to the recommendations of the Unified Good Governance Code.
- The modified text of the articles of association and regulations for general meetings of shareholders can be consulted on the corporate website (repsolypf.com), in the "shareholders and investors" section.
- At the Annual General Meeting held on 9 May 2007 the shareholders agreed to abolish the requirement to hold 150 shares in order to attend the General Meeting, to augment shareholders' involvement in the company's decision-taking.
- Finally, at the Board meeting on 19 December 2007, the directors of Repsol YPF approved a new modified text of the Board's Regulations. This modification was fundamentally aimed at:
 - a) Adapting the contents of Board of Directors Regulations to the recommendations of the Unified Good Governance Code, taking into consideration the company's specific needs and situation.
 - b) Ratifying Repsol YPF's commitment to corporate responsibility, assigning respective capacities to the entire Board of Directors and the Strategy, Investment and Corporate Social Responsibility Committee.
 - c) Technically improving the redaction and systemisation of the contents of the regulations and simplifying and harmonising governance of the operation and internal workings of the Board and its committees.

Further information on this modification of the Board's Regulations can be found in relevant event number 87,451 submitted to the Spanish Securities Market Commission on 19 December 2007. The modified text of the Board's Regulations can also be consulted on the corporate website (repsolypf.com), in the "Corporate Governance" section under "Shareholders and investors".

Our company

Repsol YPF is an international energy company, engine for development in those countries where it operates, respectful to the environment and committed to the community well-being



In 2007, Repsol YPF obtained a net result of euros 3,188 million, an increase of 2% from the one of 2006, reaching again a record. The result of the operations was of euros 5,808 million and the EBITDA reached euros 8,573 million.

Exploration and Production

This area includes oil and gas exploration and production activities carried out by the company throughout the world.

Repsol YPF's objective in this area is profitable growth that is diversified, sustainable and committed to safety, the environment and local communities. This is achieved through the following lines of the 2008-2012 Strategic Plan: the expansion of production and reserves, geographical diversification of activities, operational excellence as a low-cost operator and profitability through an increase in average unit margins.

Profit amounted to euros 2,968 million in 2007. EBITDA for the year was euros 5,227 million compared to euros 5,609 million for 2006.

In 2007 oil and gas production totalled 1,039 million barrels of oil equivalent per day.

In Liquefied Natural Gas (LNG), one of the company's growing areas, the participation in projects such as Peru LNG, Atlantic LNG and Canaport reinforces Repsol YPF's position in this business.

Independent Experts Committee – Question 15

When preparing the Corporate Responsibility Report, is the transparency involved, in complete and detailed compliance with International Accounting Standards number six taken into account relating to the identification and explanation of amounts recognised in the financial statements deriving from the exploration for and evaluation of mineral resources separating Assets and Liabilities, Income and Expense and Assets derived from exploration and evaluation of mineral resources?

Repsol YPF complies with all the requirements of IAS 6 on the "Exploration for and Evaluation of Mineral Resources", when preparing its financial statements, as explained in note 3 to the annual accounts. The information required by SFAS 69 in Form 20-F format for annual reports to be filed with the SEC is provided in the annual report, under the section, "Unaudited information on oil and gas producing activities".

IAS: International Accounting Standards
SFAS: Statement of Financial Accounting Standards
SEC: Securities and Exchange Commission

Refining and Marketing

This area includes oil refining activities in which Repsol YPF is leader in the Spanish and Argentine markets, and is also present in Peru and Brazil. Repsol YPF markets oil products in 12 countries in Europe and Latin America through a network of over 6,500 points of sale.

Profit in 2007 increased by 27.1% on the prior year, reaching euros 2,358 million. EBITDA totalled euros 2,545 million, compared to euros 2,640 million in 2006.

In 2007, 56.9 million tonnes of crude were processed, up 1.4% on the prior year, and sales reached 61,467 thousand tonnes, an increase of 4.7% on 2006.

Sales of LPG totalled 3,793 thousand tonnes, representing growth of 1.8% on the prior year.

Chemicals

The company's chemical activities are carried out principally in Spain, Argentina, and Portugal, and basic petrochemical production focuses on obtaining olefins and aromatics. In derivatives, the three main products are polyolefin, intermediate products, and industrial products.

Profit on chemical operations during 2007 reached euros 231 million, with EBITDA totalling euros 402 million, compared to euros 490 million in the previous year.

Sales of petrochemical products grew to 4,926 million tonnes, representing an increase of 3.1%. Basic products accounted for 968 thousand tonnes and derivatives, 3,958 thousand tonnes.

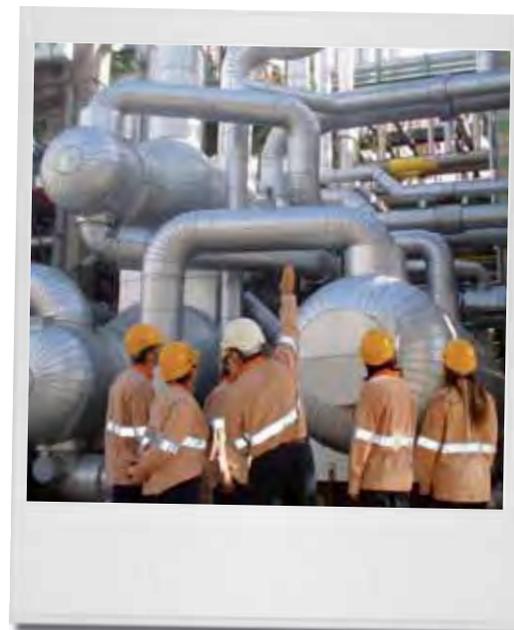
Repsol YPF pursues a growth and profitability management oriented to increase the return to shareholders and other stakeholders

Gas and Power

The Repsol YPF Gas & Power business comprises natural gas supply, storage, transport, distribution and marketing in Spain and Latin America, participation in projects for gas-fired power generation and its marketing.

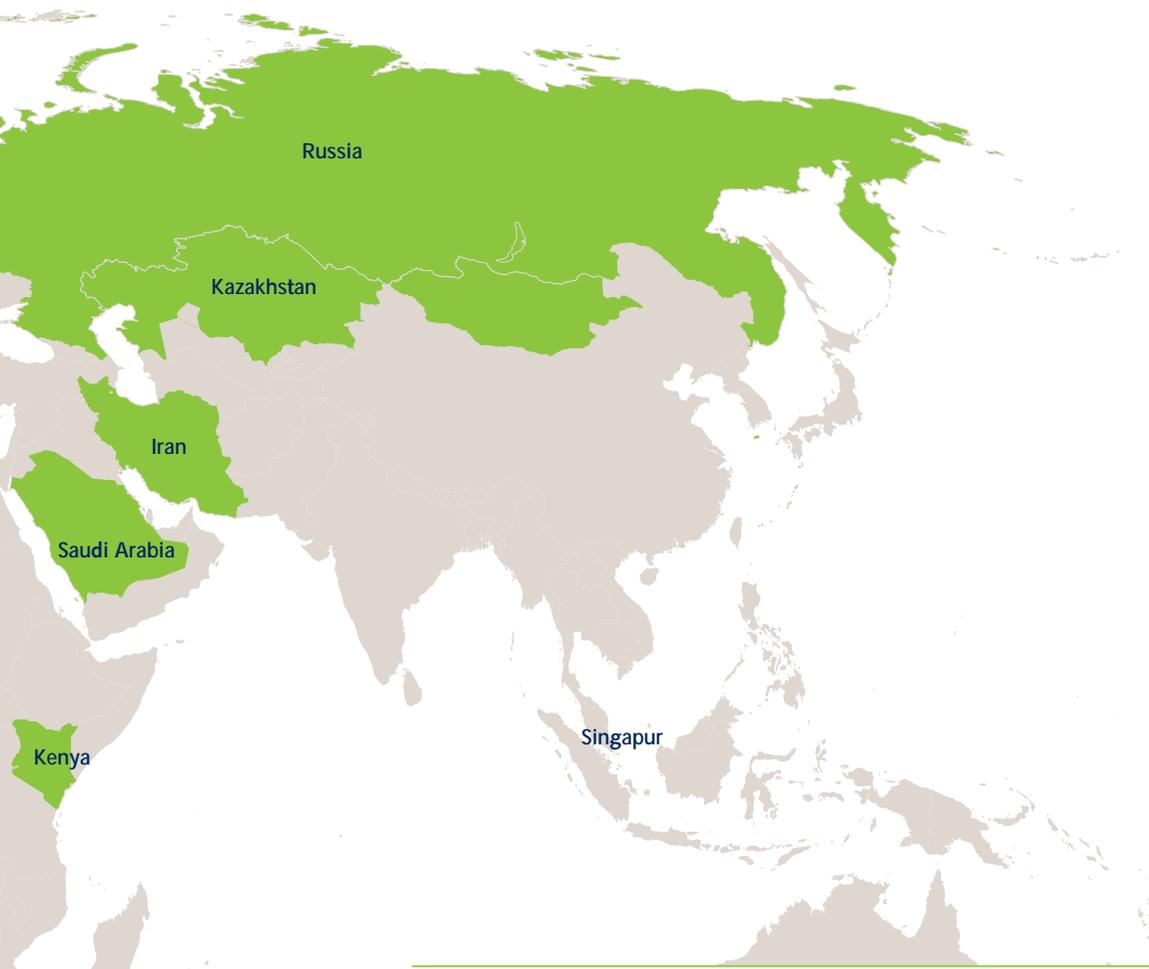
The company distributes natural gas, directly or via its subsidiaries, to over 9 million customers in Spain and Latin America, of which over 4.5 million are located in Latin America.

Income from operations in 2007 rose to euros 516 million. EBITDA totalled euros 717 million, representing growth of 21.1% on prior year's figures.



Repsol YPF around the world





• • • • Argentina	• • • • Spain	• Saudi Arabia	• Algeria	• Singapore
• • • • Bolivia	• • • • France	• Iran	• Equatorial Guinea	
• • • • Brazil	• • • • Italy		• Kenya	
• • • • Canada	• • • • Kazakhstan		• Liberia	
• • • • Chile	• • • • Portugal		• Libya	
• • • • Colombia	• • • • Russia		• • • • Morocco	
• • • • Cuba			• • • • Mauritania	
• • • • Ecuador			• • • • Sierra Leone	
• • • • USA				
• • • • Guyana				
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• • • • Puerto Rico				
• • • • Suriname				
• • • • Trinidad and Tobago				
• • • • Venezuela				

• Exploration y Production	• Refining and Marketing	• Chemicals	• Gas and Power
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The countries identified on the map point Repsol YPF's presence to December 31st 2007. However, Repsol YPF's presence in these countries does not necessarily reflect the coverage depicted in the chapter "About this report".

Sustainable development milestones



Repsol YPF's profits amount to euros 3,188 million

This figure marks a new record and an improvement of 2% on profit for 2006. The earnings per share and the dividend increased by 2% and 39% respectively. The financial debt reduced to euros 3,493 million and the financial expenses dropped 53%.

Creation of the Diversity and Balance Committee

This Committee comprises representatives from all areas of the company and its aim is to promote equal opportunities and the diversity, improve the balance between personal and professional life, and develop indicators to measure Repsol YPF's efforts in this regard. In 2007, a Working Committee was created as part of a project to integrate disabled employees into the company.

New reserves to ensure growth

Repsol YPF and NOC, the Libyan state oil company, have announced an agreement to develop the I/R oilfield, the company's biggest oil discovery in its history. This finding is added to Carioca, the deep-water oil field in the Santos Basin in Brazil, the gas discoveries in Bolivia and Peru and the start-up of the Genghis Khan deep-water mega oilfield in the Gulf of Mexico.



Euros 32.3 million earmarked for social investment and euros 16.9 million for employee training

Resources earmarked for social investment increased by 27% compared to the prior year, allocated to 812 social projects. The company is also developing a system designed to measure social spending and the impacts of its projects applying methodology used by the London Benchmarking Group (LBG). Employee training activity rose by 32% compared to the previous year.



New corporate responsibility functions for the Board of Directors

Following recommendations made in the Unified Good Governance Code prepared by the Spanish National Securities Market Commission, the Board of Directors will approve Repsol YPF's social corporate responsibility policy. Furthermore, the Strategy, Investment and Corporate Social Responsibility Committee will assume the reporting and proposal functions in these areas.



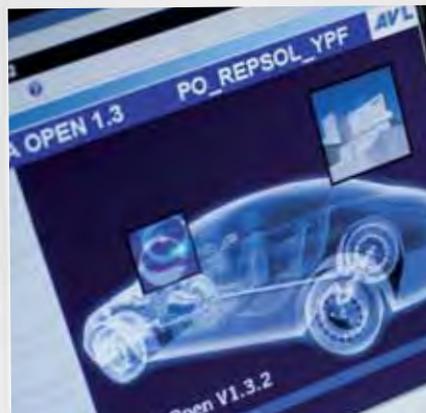
Leader in transparency, sustainability and climate change

Repsol YPF has maintained its place on the select Sustainability Indexes FTSE4Good, Dow Jones World and STOXX, where it received top ratings on issues such as transparency, development of human resources, social impact on communities and climate change.

The company also remains part of the Climate Leadership Index (CLI) where it came top in the sector for its climate change approach and management.

Technology to meet new energy challenges

Repsol YPF is a leader in research and development in the field of biofuels. From July 2006 until February 2008, the company chaired the European Biofuels Technology Platform, which aims to help this technology quickly produce socially and ecologically competitive products, thus contributing to resource sustainability. The company aims to be able to produce 1 million tonnes of its own biodiesel by 2010.



First year of the Corporate Responsibility Master Plan 2007-2009

The Corporate Responsibility Master Plan, approved in 2007, includes nine programmes, grouped around six strategic lines of action to meet the main challenges faced by the company in the area of corporate responsibility. During 2007, 30 of the 65 scheduled Master Plan initiatives were implemented.





Initiatives to reinforce biodiversity conservation

The company signed an agreement with the UNEP – WCMC (United Nations Environment Programme – World Conservation Monitoring Centre) to participate in the Proteus project and have access to the most extensive global database on protected land and marine areas (WDPA – World Database on Protected Areas). The company also continued developing the Biodiversity Action Plan (BAP) undertaken in 2006 in the context of Block 39 (Peru) exploratory activities, with another BAP being launched for offshore operations in Trinidad and Tobago.

CO₂ emissions reduction target met

In 2007, Repsol YPF reduced its CO₂ emissions by 274,092 tonnes, surpassing the established annual objective of 150,000 tonnes. Approximately 68% of the reductions made and 52% of the total CO₂ emissions inventory were verified under the ISO 14064 standard, marking progress in the transparency of the company's carbon footprint.



United Nations approval of the first methodology set out by Repsol YPF for the recovery of flare gases at the La Plata Industrial Complex (Argentina)

In July 2007, the United Nation's Clean Development Mechanism Executive Board approved the first methodology put forward by Repsol YPF for the recovery of gases from refinery flares, based on a project developed at the La Plata Industrial Complex (Argentina). The approval of the AM0055, "Baseline and Monitoring Methodology for the recovery and utilization of waste gas in refinery facilities", is a great opportunity for other companies in the sector which will be able to use it in similar projects.



New ethics and behaviour channels for employees

In 2007 an extensive internal communications campaign was launched to ensure that all employees were familiar with the company's Ethics and Conduct Regulation. The core objective was to reinforce the message that compliance with the regulation is compulsory for all employees, and at the same time, to inform personnel that the Ethics Committee is responsible for overseeing compliance with the regulation.



Reduction in the Lost Time Injury Frequency (LTIF) for employees and integrated staff

In 2007, the annual target for Lost Time Injury Frequency (LTIF) for Repsol YPF's employees was met, down 24% to 1.9. This reduction comes two years earlier than the strategic objective for 2009 of LTIF of 2. The LTIF for integrated staff (employees and contractors) was 2.4, 8% down on 2006 and again meeting the annual objective established.

Best company in the oil and gas sector for corporate responsibility

Repsol YPF was rated the best oil company in Europe and among the top ten on the Continent, according to the Good Company Ranking 2007, which rated the 120 biggest European companies.



Reduction in oil spills

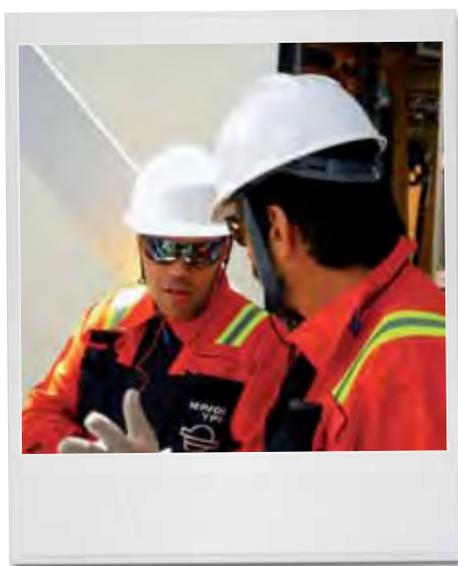
In 2007 the number and volume of oil spills fell by 23% and 38%, respectively, compared to 2006. This was due to detection, communication and immediate action taken on spills as well as investments mainly in the oil area, in the exploration and production fields, and logistics.

Most transparent company on the Internet

According to the 2007 Webranking, compiled by the Swedish company Hallvarsson & Halvarsson and published by the Financial Times, Repsol YPF is Europe's number one energy company for transparency and best practices in the contents of its corporate website, and occupies second place in the global classification of blue-chip companies in Europe.

Repsol YPF's performance at a glance

Repsol YPF pays attention regularly to key indicators in corporate responsibility to evaluate its performance and to detect improvement areas



Key indicators in corporate responsibility

	2005	2006	2007
Social			
Social investment (Thousands euros)	22,671	25,455	32,302
Integrated Lost Time Injury Frequency (LTIF) (employees and contractors)	3.1	2.6	2.4
Investment in training (Thousands euros)	11,039	12,815	16,913
Voluntary turnover rate	2.27	2.18	2.83
Environment			
Direct CO ₂ equivalent emissions (Million tonnes)	26.19	26.96	27.40
Atmospheric emissions (SO ₂ , NO _x , CO, Particulate water, NMVOC) (Tonnes)	266,520	264,441	275,913
Oil spills affecting land (Tonnes)	1,829.03	1,489.75	918.77
Environmental investment (Million euros)	313.0	180.1	194.9
Economic			
Net profit (Thousands euros)	3,120	3,124	3,188
Investments (Thousands euros)	3,713	5,737	5,373
R&D Investment (Thousands euros)	55	72	76
Processed crude (Thousands euros)	55.3	56.1	56.9

Recognitions and external presence

Repsol YPF continues developing efforts to improve its procedures and practices in corporate responsibility



Since 2006 Repsol YPF has been listed on the select sustainability indexes DJSI World (Dow Jones Sustainability Index World) and the European DJSI STOXX (Dow Jones Sustainability Index STOXX).

www.sustainability-indexes.com



The company is also part of the FTSE4Good Index which, along with the Dow Jones Sustainability Indexes, is one of the most prestigious corporate responsibility indexes in the world. In 2008 was launched FTSE4Good Ibex of which Repsol YPF comprises.

www.ftse.com/Indices/FTSE4Good_Index_Series



Repsol YPF is listed on the Climate Leadership Index (CLI), an initiative promoted by the Carbon Disclosure Project which includes some of the main institutional investors in the world. In 2007, for the second year running, Repsol YPF was awarded the highest sector rating for its approach and management of climate change.

www.cdproject.net



The company was recognised by the Women's Institute of the Ministry for Labour and Social Affairs for its collaboration in promoting gender equality as part of the Institute's Optima Programme.

www.tt.mtas.es/optima/contenido/index.html



In 2003 Repsol YPF joined the United Nations Global Compact, an initiative which encourages companies to include among their strategies and operations ten principles relating to human rights, employment conditions, the environment and combating corruption. The company also forms part of the Global Compact's local networks in Spain (ASEPAM), Argentina (the Argentinean Global Compact Promotion Group) and Bolivia.

www.unglobalcompact.org
www.pactomundial.org
www.pactoglobal.org.ar



World Business Council for Sustainable Development

Repsol YPF is a member of the World Business Council for Sustainable Development (WBCSD), a body that brings together over 180 international companies to promote business leadership and progress towards sustainable development through corporate responsibility. The company also forms part of the Council's Spanish regional network through the Fundación Entorno – BCSD.

www.wbcasd.org
www.fundacionentorno.org



The company is a founding member of the Extractive Industries Transparency Initiative (EITI), which aims to encourage transparency among companies within the extractive industries and the governments of host countries, with the purpose of reducing the poverty and promoting the socioeconomic development of the countries with extractive resources.

www.eitransparency.org



Repsol YPF is a partner in Proteus, an initiative implemented in 2002 by the United Nations Environment Programme (UNEP) and the World Conservation Monitoring Centre (WCMC). Its mission is to create a simple, advanced and decentralised system for storing, managing and reporting on protected areas. The initiative is based on best practices and allows for simple integration of other sources of information and user opinions.

proteus.unep-wcmc.org



Repsol YPF is a member of the International Petroleum Industry Environmental Conservation Association (IPIECA), an organization created in 1974 to develop and promote efficient, practical, financially and socially acceptable solutions to the environmental and social issues surrounding the oil industry. The company actively participates in this association's various working groups.

www.ipieca.org



The company is part of the Regional Association of Oil and Natural Gas Companies in Latin America and the Caribbean (ARPEL), where ideas, experience and knowledge are exchanged. The association is made up of 25 companies from the natural gas and oil distribution industries in Latin America and the Caribbean, and the company is actively involved in its various working groups.

www.arpel.org



Repsol YPF is a founding member of the Corporate Reputation Forum, created in 2002 to analyse and promote corporate reputation trends, tools and models as part of business management. This forum for exchange is a reference point for development in this field and was presided over by Repsol YPF in 2007. This year, the most significant project has been the communication campaign for the promotion of the Millennium Development Goals, "2015: A better world for Joana".

www.reputacioncorporativa.org
www.2015unmundomejorparajoana.com



Repsol YPF forms part of the safety, environmental, quality and standards committees of the International Association of Oil & Gas Producers (OGP), actively participating in the association's various working groups.

www.ogp.org.uk



Relevant issues

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New energy challenges

Repsol YPF is fully committed to applying technology and innovation to its entire value chain, minimizing the environmental impact



Repsol YPF: outlook and goals

Companies operating within the energy industry are currently facing two main challenges:

- Meeting growing demand for energy that will allow balanced social and economic development around the world;
- Doing so in an environmentally friendly way, stabilising atmospheric CO₂ levels to ensure that they do not negatively affect the climate.

A successful response to these challenges requires a sustainable energy supply based on more efficient use of a diverse combination of fossil and renewable energy resources, allowing increased demand to be met in a way which respects the environment and limits CO₂ concentrations in the atmosphere.

Repsol YPF's response to the above-mentioned energy challenges is threefold:

- Increasing refinery capacity with efficient processes that obtain high-demand products (diesel oil) that are clean (without sulphur) and produced from the most widely-available crude oils (heavy and high sulphur).
- Diversifying the company's portfolio with non-oil products and contributing to the reduction of CO₂ emissions (biofuels, in particular biodiesel).
- Technological development as a source for improving processes, products and Repsol YPF's capacity to meet the challenges presented by the energy world.

Repsol YPF understands that a competitive edge in the global market can only be maintained by increasing technological investment in line with the company's growth, always on a par with the most advanced companies within the sector. Given the high levels of collaboration with the technological environment, investment in technology has additional positive external effects, such as knowledge exchange with universities and public centres, of mutual benefit to all involved.

Repsol YPF encourages public involvement of its technology and innovation professionals, thus enhancing the company's academic and social ties.

In 2006 and 2007 Repsol YPF participated in over 100 forums, congresses and conferences focusing on the different technological disciplines in which the company is involved. Approximately 40 original articles were published by the company in scientific and technological magazines and over 300 collaboration contracts maintained with public and private universities and technological centres.

Repsol YPF is fully committed to applying technology and innovation to its entire business chain, from exploration of new crude oil and gas fields to the manufacture of products in industrial complexes, as well as research and development of new energy vectors.

Repsol YPF's main technological development activities focus on:

- Oil and gas exploration: improvements in the techniques applied to exploration activity in new hydrocarbon fields.
- Oil and gas production: growth in production and improvements in recovery levels for existing fields.
- Production of fossil fuels: the introduction of improvements to conventional fuel production processes to increase efficiency and, consequently, reduce their impact on the environment.
- Products: the implementation of improvements to increase efficiency and to improve the properties of conventional fuels, thus reducing environmental impacts.
- New fuels: taking the lead in R&D initiatives to develop high quality, sustainable biofuels, diversifying raw materials and improving their traceability, strengthening production structures, optimizing use and guaranteeing quality for the end consumer.
- Other energy vectors: active technological observation of new energy vectors.
- Other products: specific development and research into other products such as derivatives, asphalt, innovative use of LPG and agricultural films.

New technologies for new challenges

One of the greatest challenges facing our society is that of procuring an energy supply that is both sufficient and sustainable: sufficient to achieve the economic and social wellbeing sought by all the world's countries and which requires growing amounts of energy; sustainable so that this wellbeing does not compromise future generations who may be affected by the impact on our climate of carbon dioxide (CO₂) emissions from fossil energy sources.

This challenge has special relevance for energy companies, their business strategies and their social responsibility commitments. In particular, as an oil and gas company, Repsol YPF wants to make cleaner, more efficient use of these fossil fuels and we have already started down the path of diversification by producing biofuels.

As oil and gas are abundant but limited energy sources, we are working to increase hydrocarbon recovery levels in our deposits by applying "improved recovery technologies", as well as looking for hydrocarbons which are more difficult to exploit than their conventional counterparts, such as heavy crude oils or tight gas.

We are increasing the capacity of our refineries to produce clean transport fuels, which are sulphur-free and compatible with new generation vehicles with low fuel consumption and reduced emissions. Of particular note in this regard is the expansion of our refinery in Cartagena, the largest industrial investment ever carried out in Spain.

In 2010 we will produce a million tonnes of biodiesel which, along with the bioethanol we already include in our petrol, will allow us to meet the legal commitments set for the aforementioned date. We are also carrying out research, development and technology demonstration projects which, in the future, will allow us to produce greater levels of biofuels in a competitive, sustainable manner, based on more widely available, cheaper raw materials.

To reduce CO₂ emissions we are also developing programmes to improve energy efficiency in our refineries and petrochemical plants and evaluating the possibility of applying CO₂ capture and confinement technologies, mainly to our hydrocarbon operations, where injection of this gas can simultaneously improve recovery levels in our deposits.

We hope to meet the challenge of sustainability through specific actions, in the form of industrial and commercial projects where the development and application of new technologies have a key role to play.

The need for an energy revolution

Dealing with climate change is the most pressing issue of our time. However, whilst the policy debate is currently focused on setting a target for greenhouse gas emission reductions, we must not lose sight of the fact that a target alone will not miraculously solve the problem. What is needed is practical action. To this end, the IEA has analyzed what is needed to achieve a 50% cut in emissions. The first step is to improve energy efficiency. Unfortunately improvements over the last decade have been poor, and only half the rate of previous decades. Reducing emissions from the power sector is the next step. Any meaningful emission reduction in coming decades implies a virtual decarbonisation of this sector. The final, and most difficult step, would be to make an eightfold reduction in the carbon intensity of transport.

Huge investment would be necessary to bring about such a dramatic change. But there are other challenges which may prove to be more difficult than attracting investment. There remain a huge amount of technical issues that have to be overcome. The public would have to become more accepting of living alongside energy infrastructure. We would have to dramatically boost the numbers of engineering graduates. Questions exist on the availability of sufficient geological formations for captured carbon dioxide or geologically stable sites for nuclear reactors or waste storage. In short, we would require policy action and technological transformation on an unprecedented scale. It would essentially require an energy revolution which would completely transform the way we produce and use energy. Governments have a key role to play in this new energy revolution. But in the end, it will be left to industry to consider the policy options and then put them to work to deliver the desired results.

Project Kaleidoscope places Repsol YPF at the forefront of deep water exploration

Independent Experts Committee - Question 1

Repsol YPF has published its R&D&i expenses for 2006 as euros 72 million. What percentage of these expenses has been earmarked for projects related to new energy sources, renewable energy resources and/or alternatives to conventional fossil fuels? The company has also stated that it has earmarked euros 2.525 million for projects related to alternative fuels within its R&D programmes. What are the differences for Repsol YPF between R&D&i programmes and R&D programmes, particularly in relation to this area?

In 2007, euros 3.6 million was earmarked for the development of alternative fuels, 4.7% of total R&D expenses (euros 77 million).

In this case, the terms R&D and R&D&i have been used interchangeably, although strictly speaking, the data provided corresponds to R&D expenses, in other words, those earmarked to generate the knowledge required to develop new products or processes or to improve those already in existence.

Innovation ("i") refers to the design and implementation of necessary modifications to production facilities so that products can be manufactured or new and improved processes implemented, and includes the purchase or renovation of installations, acquisition of licenses and pre-series production, and activity focusing on launching the new improved product or products onto the market. This information is not included in the data provided.

Technological prospecting studies play an important role in the aforementioned areas. Preparation of these studies has been systemised by Repsol YPF over recent years and they are an exercise in reflection, based on 10, 15 and 20-year projections aimed at discovering which technologies, currently in their early stages of development, may change Repsol YPF's future business.

A large number of technological prospecting studies were carried out in 2007, covering areas such as the exploration and production of crude oil, the impact of CO₂, new engines and associated fuels, the future of refining and hydrogen as a new energy vector, as well as the wide range of energy-related technologies in general. These studies serve to direct current technological lines or identify the need to open new areas of investment and are subsequently translated into projects to develop new processes and products to anticipate existing or potential business opportunities and requirements.

Developments in the exploration of new fields

As basins traditionally rich in hydrocarbons are becoming gradually depleted, new and increasingly less accessible deposits must be found. This difficulty means that the process needs to be made as easy as possible by using the latest technological advances. Technological activity within the Exploration division is focused on evaluating and taking on new or emerging technologies and tools to improve the techniques involved in the ongoing search for hydrocarbons.

In 2007 Repsol YPF implemented Project Kaleidoscope, placing the company at the forefront of exploration in difficult areas. The objective of the project is to enhance the reliability of subsoil imaging, leading to less uncertainty when committing to oil and gas exploration projects. The project focuses particularly on imaging carried out thousands of metres below sea level in areas which are difficult but contain large reserves, such as the US Gulf of Mexico, where thick salt layers mean that the underlying oil deposits cannot be visualised. The aim of Kaleidoscope is to develop algorithms and software capable of processing seismic images much quicker than the rest of the companies within the sector.

Two of the main objectives of exploration are to reduce risk and increase reserves. Consequently, Repsol YPF is supported by new exploratory tools which meet these objectives and, in 2007, technological activity was focused on the following areas:

1. Gas and noble gas isotope geochemistry: the migration direction, generation time and source of the gases generated in the Tierra del Fuego onshore wells were determined by interpreting and modelling hydrocarbon gas isotopes and through the use of noble gases. These geochemical tools will be used to calibrate the basin model and understand the oil system for this area of research.
2. Surface geochemical prospecting: a surface geochemistry research and development project was carried out, which allowed the company to participate in mapping an Argentinean oilfield. The sampling was designed and carried out, with the data re-interpreted and integrated with the oilfield's geological model, allowing a successful oil well to be located.
3. Electroseismic prospecting: the first stage of a geophysical model was successfully implemented to detect hydrocarbons directly.

Improvements in oil and gas production

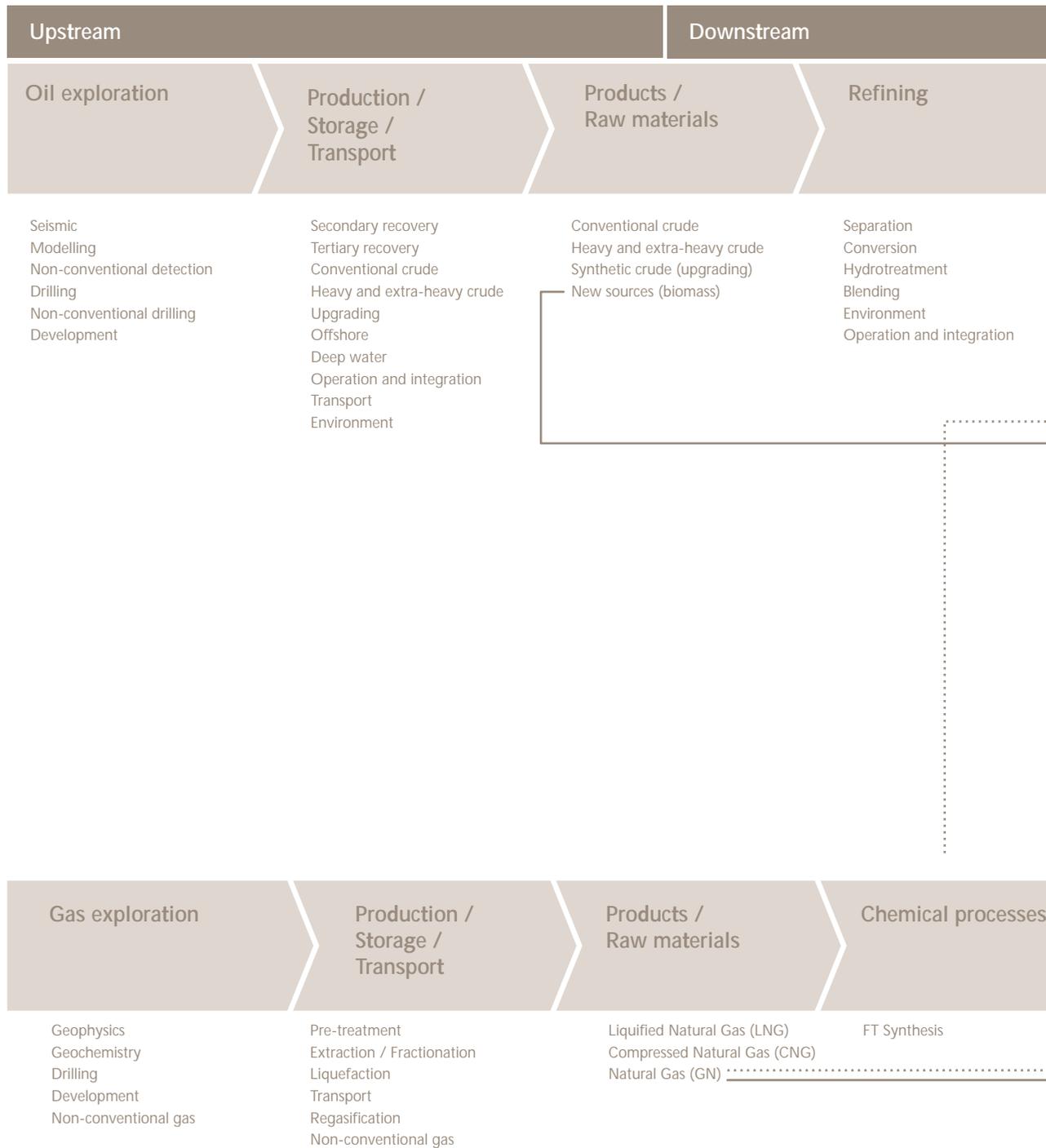
Secondary recovery

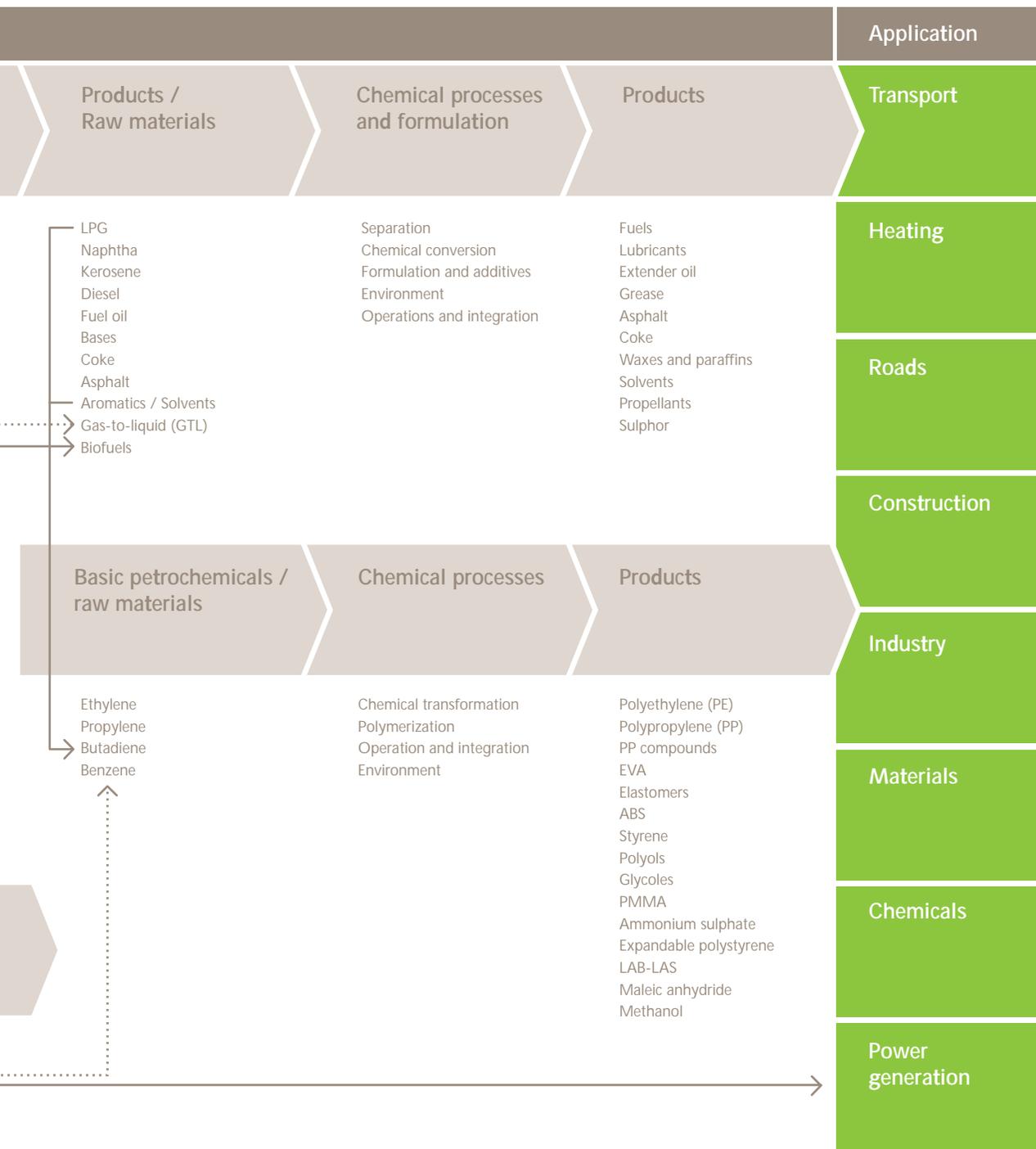
Repsol YPF is renowned within the sector for its efficiency in secondary recovery activity in oil and gas production. Secondary recovery is a production process designed to optimize crude oil extraction from wells, and basically consists of injecting water, normally from the formation of the well, into the well itself to improve recovery levels for the hydrocarbons located in the field.

The main technological developments by Repsol YPF in the secondary recovery area have been related to the quality of the injected water and injectivity loss predictions. The studies carried out have dealt with the origin of "reservoir acidification" as a result of the generation of H₂S, the evaluation and application of solutions and the selection of anti-corrosive materials.

In 2007 a pilot project was designed to inject nitrates into wells with high hydrogen sulphide content to reduce the production of this gas. In this regard, and given the importance of the issue at hand, the company participated in a consortium on reservoir acidification led by the University of Calgary.

Technological prospecting map: oil and gas technologies





Repsol YPF is involved in international consortiums for the development of different technologies

Enhanced oil recovery

Given the age of some of the oilfields in which Repsol YPF operates, enhanced oil recovery technologies are one of the main focuses of the company's technological development. Activity in this area ranges from the application of screening methodology to select the most appropriate procedure for a specific oilfield to the design and supervision of laboratory testing that simulates the process in simple form, before on-site pilot testing. In 2007 a pilot test on WAG (Water Alternating Gas) technology was completed in the Chihuido field in the Sierra Negra (Argentina). Although the results of the test showed that the oilfield was not economically viable, it did provide the company with extensive knowledge of this complex process.

Downhole gas compression

Repsol YPF has formed part of a joint industry project for gas production (Down Hole Gas Compression) since 2004. This project aims to develop downhole gas compression technology, the application of which will lead to improvements in gas field production. Participating alongside Repsol YPF in this project are ConocoPhillips and ENI.

Growth in the production chain and sales of natural gas

International Liquefied Natural Gas (LNG) and regasification projects such as Canaport, Peru LNG and Atlantic LNG have consolidated Repsol YPF's position in this area.

In May 2006 construction of one of the largest liquefied gas regasification plants in North America began in Canada. Start-up of the plant is scheduled for the last quarter of 2008, with an initial capacity equivalent to 20% of the north-east US market. Repsol YPF has also signed contracts for the construction of a gas pipeline from Saint John, New Brunswick (Canada), which will supply some of the main US markets, including the cities of Boston and New York.

In 2007 the Peru LNG project began, which involves the construction of a liquefaction plant in Pampa Melchorita (Peru) and in which Repsol YPF holds a 20% share. The plant will be operational as of 2009, and will have nominal production capacity of 4 million tonnes of liquefied natural gas per year, which will be sold on the west coast of the US and Mexico. It will be supplied with natural gas produced in the Camisea field (Peru), in which Repsol YPF holds a 10% interest.

In Trinidad and Tobago Repsol YPF is the third-largest private producer, and has a privileged position thanks to its participation in the Atlantic LNG plant's four liquefaction trains. Trinidad and Tobago is of great strategic importance due to its magnificent location for easily supplying gas to the US and European markets.



Technological development consortiums

Repsol YPF forms part of various consortiums with top companies, universities and technological centres for the development of different technologies. Mention should be made of those led by the Universities of Calgary and Alberta (AISICE and AACI) to develop technologies relating to the production and upgrading of heavy crude oil in deep wells, with potential applications for the company's heavy crude oilfields.

Repsol YPF is also involved in different consortiums led by the French Petroleum Institute for the modelling and characterisation of fractured oilfields and numerical reservoir simulation.

Finally, Repsol YPF also participates in two emissions-related consortiums. The first of these is the Greenhouse R&D Programme, led by the International Energy Agency and focused on developing emissions-reducing technology. The second, the CCP2 (Carbon Capture Project) Consortium involves BP, ChevronTexaco, ConocoPhillips, Eni, Hydro, Petrobras, Shell and Suncor, and is engaged in the capture and storage of greenhouse gases.

Improvements in the production of fossil fuels

Adaptation to fuel specifications

In recent years Repsol YPF has placed great importance on bringing its technologies and investments into line with new fuel specifications coming into force within the European Union in 2009. From 1 January 2009, automotive fuels sold in the EU cannot contain more than 10 milligrams of sulphur per kilo, or 10 parts per million. At the end of 2007 Repsol YPF had carried out the necessary adaptation work to ensure that 70% of its automotive fuel production in Spain was 10 ppm.

Redefinition of production schemes to alleviate the deficit in medium distillates

The company has recently redefined its production schemes to generate the fuels that are truly needed, in particular diesel, thus reducing the Spanish and European shortage in middle distillates and, among other positive environmental effects, helping to reduce fuel trading. In this regard, of particular importance is the approval in 2007 of the project to extend the Cartagena Refinery in Spain, which will double its atmospheric distillation capacity to 220,000 bbl/day and incorporate deep conversion units to ensure that over 50% of the refinery's production are middle distillates, mainly diesels, significantly reducing the growing shortage of these products in Spain. Start-up of this project is scheduled for 2011.

Minimisation of waste generated by fuel production process

Of the various processes promoted by Repsol YPF to minimize the waste generated by fuel production process, two are particularly noteworthy.

The first, in Argentina and with the collaboration of the scientific community, is a project adapted to local requirements for the reuse of catalysts after deactivation. This process does not generate toxic waste, as both the currents generated and the metals recovered can be reused.

The company has also been the driving force behind different research projects into the regeneration and reuse of catalysts discharged by industrial units. This involves modifying reactivation conditions and using additives to improve the properties of the regenerated catalysts. All discharged catalysts are monitored and controlled to evaluate their reusability, and those which do not have the minimum properties required for reuse are sent for metal recovery, thus reducing waste volumes and recovering part of their residual value.

Introduction of operational improvements in energy efficiency

A large number of the improvements implemented by Repsol YPF in its fossil fuels production processes in recent years are related to increasing energy efficiency for both processes and installations.

The main advances made in this area are detailed in the "Climate change" section of this report, which focuses on the steps taken by the company to minimize greenhouse gas emissions.

Carbon capture and sequestration

The main advances made in this area are detailed in the "Climate change" section of this report, which focuses on the steps taken by the company to minimize greenhouse gas emissions.

Improvements in fuels produced

Cleaner fuels

Repsol YPF's strategy involves constantly providing the market with distinctive products, showing a clear commitment to the environment and continuous dedication to technological innovation and development. In short, the company offers products that anticipate the market's needs.

The company has developed a new range of automotive gas-oils with an exclusive formula created to optimize the features of diesel engines. Particularly noteworthy among this family of fuels is Diesel e+10, specifically created to maximise the performance of latest generation engines. This is a sulphur-free fuel and consequently more environmentally friendly, in anticipation of 2009 EU regulations guaranteeing sulphur contents of less than 10 mg/kg (considered as sulphur-free).

Also of note are the Efitec petrols, particularly Efitec 98, which are sulphur-free, and therefore more environmentally friendly, but also capable of optimizing engine performance. These petrols also meet the aforementioned EU regulations which come into force in 2009. It is important to note that the absence of sulphur also favours catalyst performance, reducing polluting emissions and consumption for direct injection engines (stratified mixture).

Repsol YPF maintains a continuous commitment to technological innovation and development

Cleaner heating fuels

Repsol YPF's efforts are not limited to transport fuels. The company is also committed to continuous, thorough research into heating oils, in order to meet market demands and its customer's requirements.

2007 marked the arrival of the company's C-grade gas-oil Repsol Energy e+, including a package of exclusive additives which protect the fuel from oxidation and prevent premature filter blockage, as well as keeping the burners clean. Repsol Energy e+ is a better heating fuel in terms of energy efficiency, improving the performance of installations and achieving rates of almost 100%, with the consequent improvement in environmental impact.

District heating and cooling and LPG

Repsol YPF is committed to the use of propane as an energy source with high calorific value, clean combustion and low contamination, which helps diversify environmentally friendly energy sources on the current energy market.

In line with current Spanish and European legislation, the use of efficient propane gas-based technologies for supplying energy to individual customers and entire buildings or groups of buildings (district heating and cooling) reduces energy consumption and greenhouse gas emissions, and represents energy bill savings for the end customer. Energy-efficient heaters (both individual and communal), gas heating pumps (with residual energy recovery for hot water production), co-generation installations (simultaneous production of electrical and thermal energy) and the integration of solar energy with LPG are just a few examples. Other sectors such as industry have found opportunities to use these technologies, with the aforementioned advantages.



Vehicle LPG

Liquefied Petroleum Gas is the most popular alternative fuel in the world, used by eleven million vehicles, three million of which are in Europe. Its properties as a fuel (octane number and volatility) make it particularly suitable for use in spark-generated ignition engines, with environmental advantages over diesel in terms of NO_x and metal particles (MP), noise and odour contamination, along with moderate greenhouse gas emissions. It is stored at low pressure in its liquid state and has similar flammability limits to petrol, meaning that it can be safely transported, stored and distributed.

Repsol YPF encourages the use of LPG as an alternative fuel in countries such as Peru, where it leads the market, and Spain. In the latter, the company's work is favoured by the Spanish and European legislative framework, which aims to promote energy diversification while alleviating the impact of climate change and improving air quality in urban areas (NO_x and PM).

Development of racing and special fuels

Since the beginning of 2003 Repsol YPF's Technology Centre has housed a plant for small-scale production of racing and other special fuels supplied to automobile manufacturers with plants in Spain (Renault, Seat, Volkswagen, Nissan and Ford). The properties of these fuels include low sulphur content, narrow distillation curves and high lubricity, and they are used by car manufacturers for bench testing to improve the properties of their engines.

The vast majority of racing fuels are used in the World Speed Championships (Moto GP), supplying the Honda, Aprilia and Ducati teams. They are also developed for use in the Spanish Speed Championships (CEV), the World Trial Championships and the World Motocross Championships. Since November 2004, the company has also supplied racing fuel to the Mitsubishi team for the World TT Rally Championships.

The development of racing fuels has placed Repsol YPF at the forefront of knowledge in this area, and the company aims to transfer the know-how it has gained to its commercial products, thus offering its customers the most advanced products on the market.

Collaboration agreements with other companies

Repsol YPF has signed various technological collaboration agreements with operators in the transport sector, such as Iveco España, MAN Vehículos Industriales, Renault and General Motors España, as well as with transportation companies such as the Madrid Municipal Transport company (EMT), auto parts companies like Robert Bosch España and services companies such as FCC. Of particular note is the agreement reached with Renault for the use of B30 biodiesel in conventional vehicles.

A determined bid for biofuels

Repsol YPF is the leader in biofuels research and development. Between June 2006 and February 2008 the company chaired the European Biofuels Technology Platform, the objective of which is to help this technology quickly produce socially and economically competitive products, thus contributing to resource sustainability. This Platform will define the R&D strategies and objectives in this field in the European Union. Repsol YPF also leads the CENIT-PiIBE project, which aims to increase the use of biodiesel within the national market through an R&D project geared towards reducing production costs and increasing the availability of local raw materials.

It is also important to note that Repsol YPF is the European leader in bioethanol consumption for ETBE production.

The company aims to produce a million tonnes of its own biodiesel per year by 2010.

Repsol YPF's promotion of the use of biofuels is essentially threefold: improvements in production schemes, improvements in the use of biofuels and improved traceability of raw materials.

Improvements in production schemes

Repsol YPF aims to help improve production techniques to optimize biofuel production costs, and introduce these fuels into the market quickly.

The company also leads the field in transparency about biofuel efficiency, having committed to biodiesel.



Improvements in the use of biofuels

Key to developing biofuels and their launch on the market are agreements with the motor sector that bring together developments by producers and manufacturers for their gradual introduction. Particularly noteworthy are the collaboration agreements signed with the Madrid Municipal Transport company (EMT), FCC and Iveco to verify that diesel oil mixtures with high percentages of biodiesel work in heavy vehicles and with Renault to check these work in cars. Repsol YPF's activity in this area also ensures that biofuels reach the end customer with all due quality guarantees.

Independent Experts Committee – Question 6

According to published information, Repsol YPF leads the PiIBE (Project for Research and Introduction of Biodiesel in Spain) project to promote biodiesel in Spain. Given that sustainability is one of Repsol YPF's objectives and that biodiesel is already having a tremendous environmental impact around the world, what certification and verification mechanisms does the company have in place to guarantee its customers that its biodiesel has been produced in a sustainable manner, and particularly that no raw materials have been used that may have been obtained from the destruction of rainforests?

Repsol YPF currently purchases biodiesel and bioethanol. The company does not make any oil and/or grain purchases.

Repsol YPF is in favour of a biofuel sustainability certification system to verify that the biofuels it uses comply with sustainability criteria. However, no such system is currently in place internationally or in the EU. Repsol YPF believes that a single European certification system is the best way to guarantee compliance, and would like to see the certification system implemented as soon as possible. In that sense, the company works with the international forums to which it has access to set the certification criteria that should be considered, and to develop calculation tools.

Repsol YPF participates in working groups created for this purpose by CONCAWE, IPIECA and the European Commission, as well as the RSB (Roundtable on Sustainable Biofuels), an initiative of EPFL (École Polytechnique Fédérale de Lausanne).

The company is also involved in various projects to explore new raw materials for biofuel production. Certain projects are aimed at using waste (for example animal fats) and other raw materials employed in biofuels production, such as jatropha oil, which do not compete with food crops. Others explore the possibility of using marine cultures for biofuel production, with a double purpose:

- *To avoid CO₂ emissions.*
- *Vegetation-based energy with plants that do not compete with food cultivation.*

Repsol YPF, in collaboration with the Marine Biotechnology Centre at the University of Las Palmas (Spain) and within the framework of the CENIT-PiIBE project, is developing a project to analyse the possibility of using marine cultures to produce biodiesel oils.

Other technological developments

Technological prospecting to identify the energy vectors of the future

Repsol YPF carries out technological prospecting studies to identify the possible technological vectors of the future. In 2007 the company carried out a study on the outlook for hydrogen that supported Repsol YPF's long-term commitment to this technology.

In 2002 the company had already launched an R&D framework project to monitor the future of hydrogen as a transport fuel, with a euros 9 million budget spread over a seven-year period.

Repsol YPF carries out technological research into the production chain and the use of hydrogen as a fuel, and participates in some of the most significant European projects in this area. These include the CUTE (Clean Urban Transport for Europe) project, which aims to supply the fleet of environmentally friendly buses owned by the Municipal Transport company of Madrid (EMT).

Repsol YPF carries out technological prospecting studies to identify possible technological vectors of the future

Repsol YPF is also a member of the Spanish Hydrogen and Fuel Cell Technology Platform, created in 2005 and a partner in the CENIT SPHERA (Solutions to Hydrogen Energy Production and Associated Reconversion) project. This project aims to increase the competitiveness of clean hydrogen production technologies, stationary mass storage and the distribution and logistics chain, favouring the development of Spanish companies engaged in these activities. Repsol YPF also belongs to collaboration networks and associations (EFI, Highways) focused on the exchange of information, experiences and outlooks on new technologies and their social feasibility.

Synthetic fuels

Repsol YPF constantly monitors the technical and financial feasibility of processes used to obtain synthetic fuels from gas (GTL) and biomass (BTL), evaluating the features of the products obtained from the various alternatives with regard to possible introduction onto the market. The company thereby outlines its own options for market positioning (acquisition, consortium, own independent development) based on both technological analyses and strategic decisions, with the ultimate goal of providing its markets with the best range of products at competitive prices, all in line with resource sustainability criteria.

Ecodiesel Project in Leon, Spain

Development of products with added and environmental value

Vegetable oil-based paraffin

Due to constant demand for paraffin and the need to meet the current shortage in the Latin American market, the company decided to develop a new line of non petroleum-based products manufactured from natural raw materials (vegetable oils). This move aims to boost the availability of this kind of product, both for general use and for applications where limitations are being introduced on the use of mineral paraffin for environmental, health or economic reasons.

The useful properties of certain oil products in the Republic of Argentina were analysed, with significant help from the country's scientific sector involved in this type of research. The Argentine National Scientific and Technical Research Board also collaborated through its Executive Units (INTEC), working to improve the competitive quality of these products compared to the leading brands on the market.

During 2007 vegetable-based paraffins with a melting point of 65 °C were prepared in the laboratory. These paraffins could be reproduced in industrial tests and, although certain anomalies were detected in their crystallisation systems, these could be remedied through blending with mineral paraffin for the product to be sold.

At the end of 2007 the European Union gave the positive evaluation to provide financing totalling euros five million for the Ecodiesel Project promoted by Repsol YPF and Acciona in Jabares de los Oteros (Leon). The EU considers the project as an innovative standard-bearer in terms of biofuel transformation and making use of raw materials.

The Ecodiesel Project involves producing first-generation biofuels with similar energy efficiency to second-generation biofuels. The plant is supplied by the biomass generated from agricultural waste, plant waste and by-products from the first refining stage obtained from seed production. This produces a fuel which, as it generates heat, can be used to obtain electrical energy.

The plant will be able to produce not only FAME (fatty acid methyl ester) but also FAEE (fatty acid ethyl ester), both leading to substantial reductions in greenhouse gas emissions.



Vegetable oils

Demand for these products has risen in the last decade, driven by the governments of industrialised nations interested in the lower environmental impact of vegetable oils, especially in agriculture-related activity, as well as their economic benefits and use in maintaining equipment.

These oils can be used to a lesser extent to produce combustion engine oils, while growth should also be guaranteed due to their greater use in the last decade for hydraulic, machine and forestry oils, as well as special lubrication applications.

For many years canola, sunflower, palm, jojoba, coconut, soybean and various other oils have been sold for industrial purposes and not human consumption.

The growing use of vegetable oils in applications where mineral-based oils are prohibited or restricted is of interest to companies in the energy sector, which have been able to position themselves in the market by developing products that meet requirements, as a complement to their current products, with a mineral base and/or mixed formulae for specific applications.

Initial research involving the participation of the Argentine scientific sector supports the possible use of vegetable oils as a replacement for mineral-based oils, or to complement and/or improve their natural properties, by making use of certain properties.

Repsol YPF maintains an active collaboration policy through agreements with universities, companies and other technological centres

In 2006 and 2007, various industrial oil formulae were researched and eventually developed at ISO 32, 46 and 68 grades for the Hydraulic and Transmission lines of business, which are serious competitors for the market leaders in terms of quality.

During 2008 vegetable oils are due to be used in the production of greases, thus developing a biodegradable product for this application.

Recycled lubricants

Examples of technological developments which contribute to the sustainable use of resources include an approved lubricant oil, for which the base product is obtained by recycling used oils. These base products are acquired from used lubricant recycling companies and laboratory testing is conducted to guarantee the satisfactory quality of the product. This allows it to be used for the most suitable applications, and ensures that the characteristics of the product approximate those of a new lubricant oil.

CENIT MEDIODIA: intelligent greenhouses

Asphalts

The following initiatives and results for asphalt products have also been directed at sustainable use of resources and reductions in the environmental impact of products and processes:

- System to incorporate used tyre rubber into the bitumen mix. Mixtures produced with this modified bitumen exhibit noticeably improved performance.
- Development and prototype testing of asphalt products which can be laid at lower temperatures, are more energy efficient, have less toxic properties and produce fewer emissions. During 2007, 100 tonnes of this new product were laid on Spanish roads.
- Active involvement in European standardisation committees and contributions to new European specifications for asphalt and bitumen mixtures.
- Own technology for recycling old road surfaces, making full use of used materials to produce and lay new surfaces.

LPG (Liquid Petroleum Gas)

LPG applications to tackle grape vine blight:

In agriculture, especially ecological agriculture, there is growing demand for alternative systems to tackle blight and diseases which do not harm products and are environmentally-friendly. Current research involves treating blight and diseases with heat generated using LPG. Studies performed in 2007, in collaboration with the Agricultural Engineering Technical College (ETSIA) of the Universidad Politécnica de Madrid (UPM), show that such treatment is highly effective against fungal blight and insect plagues.

The MEDIODIA industrial research project (which aims to increase work on the development, innovation, optimization and design of advanced greenhouses) is led by Repsol YPF and is one of the fifteen projects supported by the National Technological Research Strategic Consortiums Programme (CENIT) in its second award process (2007-2010).

The project's general objective is to carry out strategic research into the area of plastic-protected agriculture. This has led to the development of a new concept in advanced greenhouses, which is highly automated, efficient in energy and water consumption and produces a wide range of profitable crops all year round in Spain's various climates, all through an integrated production system.

The project includes development in materials (for the greenhouse roof, structure and foundation), electromechanical systems (heating/cooling, plant movement, fertirrigation and carbon fertilisation) and auxiliary biological systems (pollination and integrated control). The project will also work on the management of products (classification, vegetable processing and packaging), co-products and waste, as well as renewable energy and water supplies for groups of greenhouses.

Eleven companies are involved in MEDIODIA, all leaders within their respective sectors and coordinated by Repsol YPF, with a large part of the project's activities being carried out by 26 research organizations.

In 2007, Repsol YPF earmarked euros 77 million for technological research and development projects

Nautical LPG for use on boats:

The Spanish fishing sector is firmly committed to cost-cutting programmes and one of the main issues is optimizing energy consumption. To this end, the company is collaborating on a multi-company project entitled Peixe Verde, financed by the Spanish Ministry of Education and Science (MEC) and the Galician regional government (Xunta de Galicia), to test several alternative energy solutions for the fishing fleet, including boat propulsion solutions.

The project involves shallow-water vessels which currently run on petrol and deep-water fishing boats that are currently diesel-powered. The aim of Peixe Verde is to examine the possibility of diversifying the fuel used to power vessels by using LPG, which also has added environmental value such as lower engine noise levels and a lower impact from fuel leaks.

In 2007 progress has been made to design installations and standards for shallow-water vessels, analyse the specifications of the first LPG-enabled vessels and design gas storage and supply systems for deep-water fishing boats, specifically for the pilot testing vessel.

Products that provide added value for agriculture

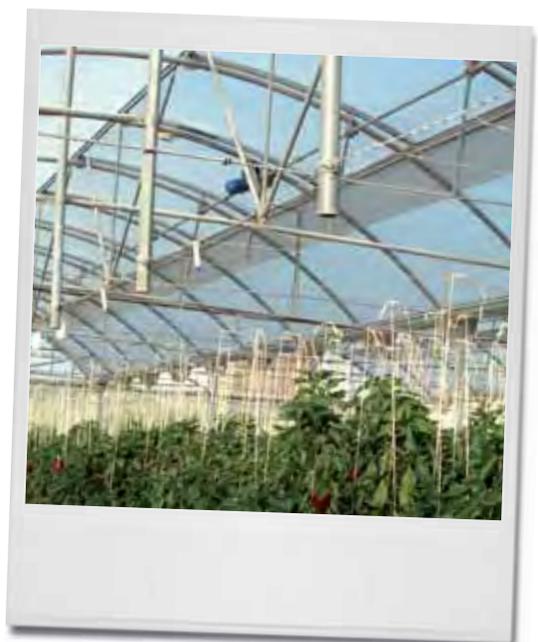
Repsol YPF's chemical products division allocates significant resources to researching and developing its compounds for use in different applications, helping farmers to obtain the best possible returns from their activities. The company offers a wide range of compounds that are used to manufacture products essential to modern agriculture, ensuring better use of natural resources and more profitable agricultural operations.

Plastic films are used as an efficient, economical sealant for greenhouses and small tunnels. They protect crops from harsh weather and result in early harvests, with greater abundance and higher quality. Repsol YPF is the leader in greenhouse film technology.

The use of plastic films for padding purposes improves crop quality and performance, ensures that seeds take root and, depending on the kind of film used, encourages early harvests and prevents weed growth.

Drip irrigation, the components of which are mainly produced from plastic materials, allows large-scale agricultural practices in areas with low water resources, resulting in maximum efficiency and profitability.

Plastics are also crucial for other agricultural processes, such as land disinfection (solarisation), silos, reservoirs, netting, meshing for shading purposes, windbreaks, raffia for plant props, etc.



Repsol YPF also participates in R&D programmes promoted by regional, national and European governments, and in 2007 formed part of nineteen different projects supported by the Spanish government, as well as seven promoted by the European Union.

In 2007 Repsol YPF earmarked euros 70 million for this activity, plus a further euros 7 million for projects carried out by the company's business units. Repsol YPF uses two technology centres to undertake its R&D work, one in Spain (Móstoles) and the other in Argentina (La Plata), where more than 450 people are employed.

Main monitoring indicators

Repsol YPF maintains an active collaboration policy through agreements with universities, companies and other technological centres from both the public and private sectors. The number and monetary value of these contracts have increased significantly over recent years, exceeding euros 9 million in 2007. The company's collaboration ranges from initial feasibility studies at the launch stage for new projects to the procurement of new catalysts and the performance of certain project stages for which they have specific knowledge and/or installations. Participation in consortiums alongside other companies has also been increased, aimed at the pre-competitive development of new technologies.



+ information

R+D activities: newenergychallenges.repsolypf.com

Climate change: climatechange.repsolypf.com

Down Hole Gas Compression: www.ptac.org/about/ptalk0404.html#Corac

CENIT PiIBE Project: www.piibe.com

CENIT MEDIODIA Project: www.cenitmediodia.com

Climate change

Climate change is related to top challenges faced by today's society: economic growth and ecosystems protection

Initiatives planned	2007 progress	2008 objectives
Reduction of CO ₂ eq by 1 million tonnes in 2005-2012 period compared to the business as usual scenario	274,092 tonne reduction, compared to the 2007 target of a 150,000 tonne reduction.	150,000 tonne reduction in 2008 compared to the business as usual scenario.
ISO 14064 Certification for the inventory of greenhouse gases and reduction measures	Certification of the CO ₂ inventory for the Spain and Portugal Refining and Chemicals centres, representing 52% of the company's total CO ₂ emissions, and of the measures toward reducing Spain Refining consumption and losses, representing 68% of the total reductions reported for the year.	Expansion of the scope of certification to the inventory, and reduction initiatives for Refining and Chemicals activities at international level.
Programmes to improve energy efficiency	Implementation of energy efficiency programmes in the company's different business units. Energy efficiency audits in refineries (A Coruña Refinery in Spain) and in exploration and production installations (Trinidad and Tobago, Las Heras and Mendoza in Argentina).	Continue developing energy programmes and audits.
Active participation in programmes and working groups	Continuous active participation in working groups organised by the IPIECA, ARPEL and IETA. Involvement in the United Nations Global Compact "Caring for Climate" initiative. Collaboration in the "eCO ₂ nomía" publication through participation in the working group organised by the <i>Fundación Entorno-BCSD España</i> .	Maintain Repsol YPF's presence in national and international climate change initiatives.
R&D projects: CO ₂ capture and storage (CCS)	Initial stages of a study of the costs associated with CO ₂ capture and storage for Repsol YPF's various industrial units. Continuation of participation in the Casablanca Storage (CASTOR), Capture Project Phase 2 (CCP2) and Towards optimized Chemical Processes and New materials by Combinatorial Science (TOPCOMBI) projects.	Continue with the evaluation of CCS costs and development of CO ₂ storage methodologies. Continue participating in CCS research projects. Participation in new projects involving CO ₂ use (CO ₂ capture and production of biomass).

IPIECA: The International Petroleum Industry Environmental Conservation Association
 ARPEL: Regional Association of Oil & Natural Gas Companies in Latin America and the Caribbean
 IETA: International Emissions Trading Association

Repsol YPF's outlook and goals

Climate change is one of the most important challenges faced by today's society. Risks associated with this phenomenon have an impact on global socio-economic systems and represent significant new barriers for the oil industry in the light of new regulatory frameworks, growing social expectations and ever-increasing pressure on companies operating within the energy sector.

In 2007 climate change remained one of the main concerns expressed by international public opinion. Proof of this can be seen in the interest surrounding the Fourth Assessment Report published by the Intergovernmental Panel on Climate Change (IPCC).

Within the current global energy context, characterised by a growing energy demand and, subsequently, for fossil fuels, commitment from the private sector and collaboration from governments and other international institutions are key factors when establishing the basis of an economy that needs to shift to a low-carbon model.

Repsol YPF is well aware of the significance of this challenge and the company is convinced that those companies which can resolve the issues raised by climate change in the most efficient manner will be rewarded with success. This is of particular importance in the energy sector, where long-term business sustainability will largely depend on the ease with which companies respond to the new dilemmas faced by a society undergoing constant change.

Certification of 52% of the company's total CO₂ emissions and 68% of the total reductions, according to the standard ISO 14064

These reflections, along with the search for solutions to reduce the carbon intensity of all the company's activities, have been a crucial aspect of Repsol YPF's strategic planning for several years. The various scenarios raised by climate change, with their associated risks and opportunities, form part of the company's decision-making processes.

Repsol YPF's lines of action are prepared in accordance with the strategic approach defined in the Carbon Plan, which includes all variables within the scope of the company's actions: activity on the emissions market, energy efficiency programmes, direct reduction programmes and the development of Clean Development Mechanism projects (CDM).

These activities are also supported by technological innovation programmes and the company's active, committed participation in the debate with public bodies and sector organizations in the search for joint solutions.

Climate change, part of our company's strategy

Repsol YPF has consolidated the strategy launched in 2002 with the publication of the company's Position on Climate Change, which has yielded excellent results. We took our first steps down this path at a time when there was great uncertainty surrounding the introduction of the Kyoto Protocol, and today, five years later, these doubts remain, making a well-defined strategy aimed at minimizing risks more crucial than ever. This strategy includes a range of tools based on actions to reduce direct emissions, technological developments and the use of market instruments, all geared towards meeting the company's objectives.

Repsol YPF's priorities are marked by the milestones achieved by the Carbon Plan, renewed by the company yearly. The 2005 Corporate Responsibility Report established the target of reducing CO₂eq emissions by 1,000,000 tonnes by 2012, and the Plan's various measures are all aimed towards meeting this goal, which we will review in 2008. Furthermore, in 2007 we certified the greenhouse gas inventory of a significant part of our company under ISO 14064 standard. This certification gives credibility to the accuracy of our data, and allows us to continue making progress in the way we report our carbon footprint with maximum transparency.

In 2007 Repsol YPF once again featured in the three most selective sustainability indexes: the Climate Leadership Index, the Dow Jones Sustainability Index (DJSI) and the FTSE4Good Index.

With regard to the Climate Leadership Index, Repsol YPF has been declared 'Best in Class' for its strategy and policy of transparency regarding climate change. The company was also awarded the maximum score for its climate change management by the Dow Jones Sustainability Index, helping classify Repsol YPF as a "Gold Class" company in the oil and gas sector in the '2008 Sustainability Yearbook', prepared by PricewaterhouseCoopers and Sustainable Asset Management (SAM), the company which performs evaluations for the DJSI.

In addition to this, in July 2007 the United Nations CDM Executive Board approved CDM AM0055, 'Baseline and Monitoring Methodology for the recovery and utilization of waste gas in refinery facilities'. The approval of our methodology represents an excellent opportunity for the rest of the companies within the sector, as it will be made available by the UN for all those companies interested in projects to recover flare gases at refineries located in countries not included in Appendix B of the Kyoto Protocol.

The company considers that measures such as those mentioned above show Repsol YPF's support of the Protocol's principles, encouraging the transfer of technology focused on reducing greenhouse gas emissions.

Business community role is crucial to address climate change

Over the last year we have reached a tipping point in the debate over climate change with the IPCC and Al Gore receiving the Nobel prize. The speed with which the debate evolves has caught many by surprise, but provides a good indicator of the kind of attention the business community should be paying to this critical issue.

In many jurisdictions business currently operates in a carbon constraint world, with demands for mitigation, and increasingly adaptation, getting more stringent every day.

The Bali Action Plan, reached with some difficulty last December at the UN meeting, points out, among other things, the importance that society puts on addressing this issue as well as the challenge to reach an agreement.

But more importantly it notes that the debate should be informed by input from the business community. This clearly signals that governments are looking to business to take a large share of the burden, and provide solutions, which represents a dramatic shift from earlier days when business was being seen as part of the problem.

It also shows the large uncertainties that we continue to face in addressing an environmental issue that is being addressed through an international agreement with deep trade and competitive implications.

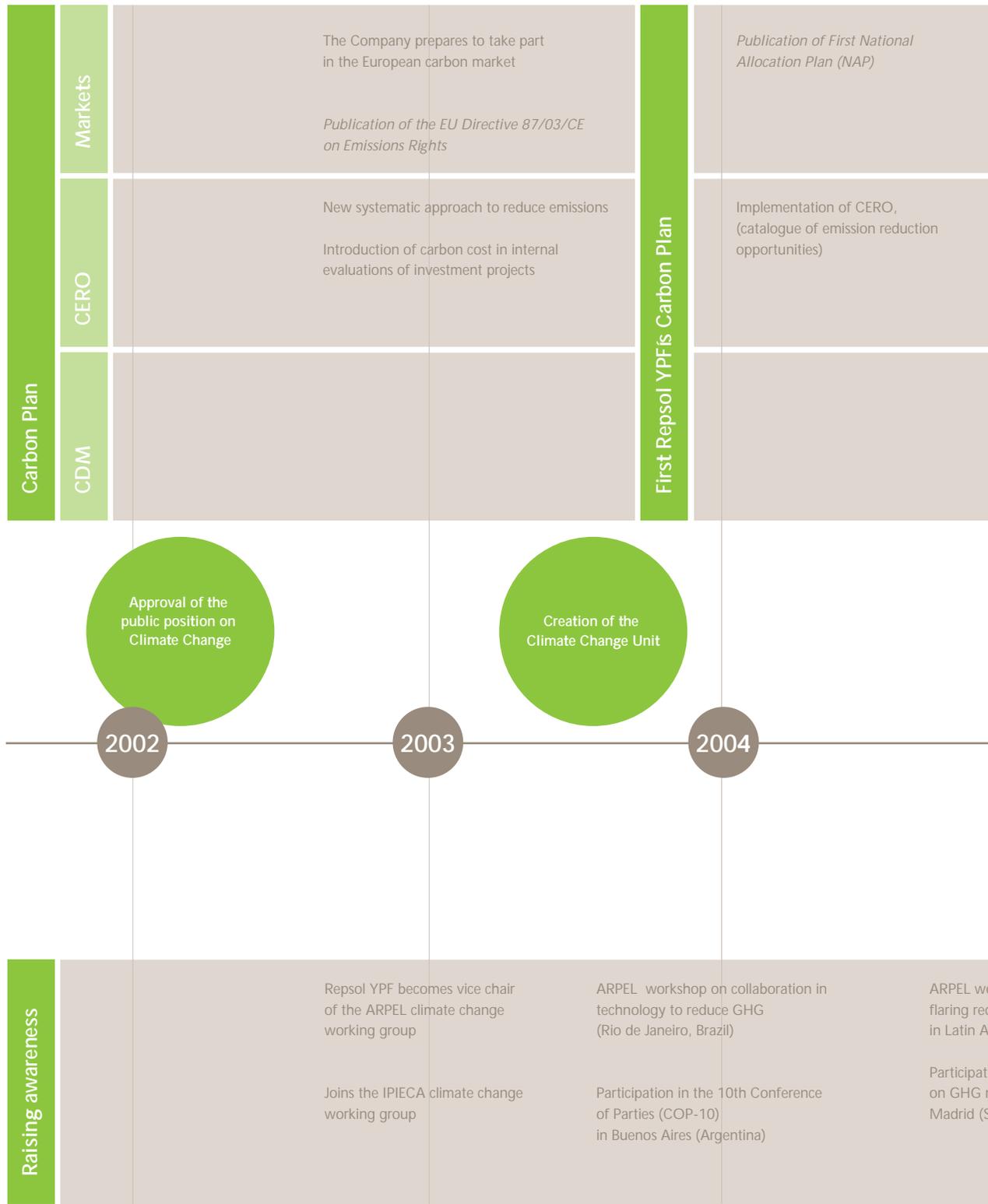
Addressing climate change is for many a regulatory requirement in a number of jurisdictions, number which is rapidly growing. While the EU has had EU ETS for few years, Australia is starting one, and US will rapidly follow.

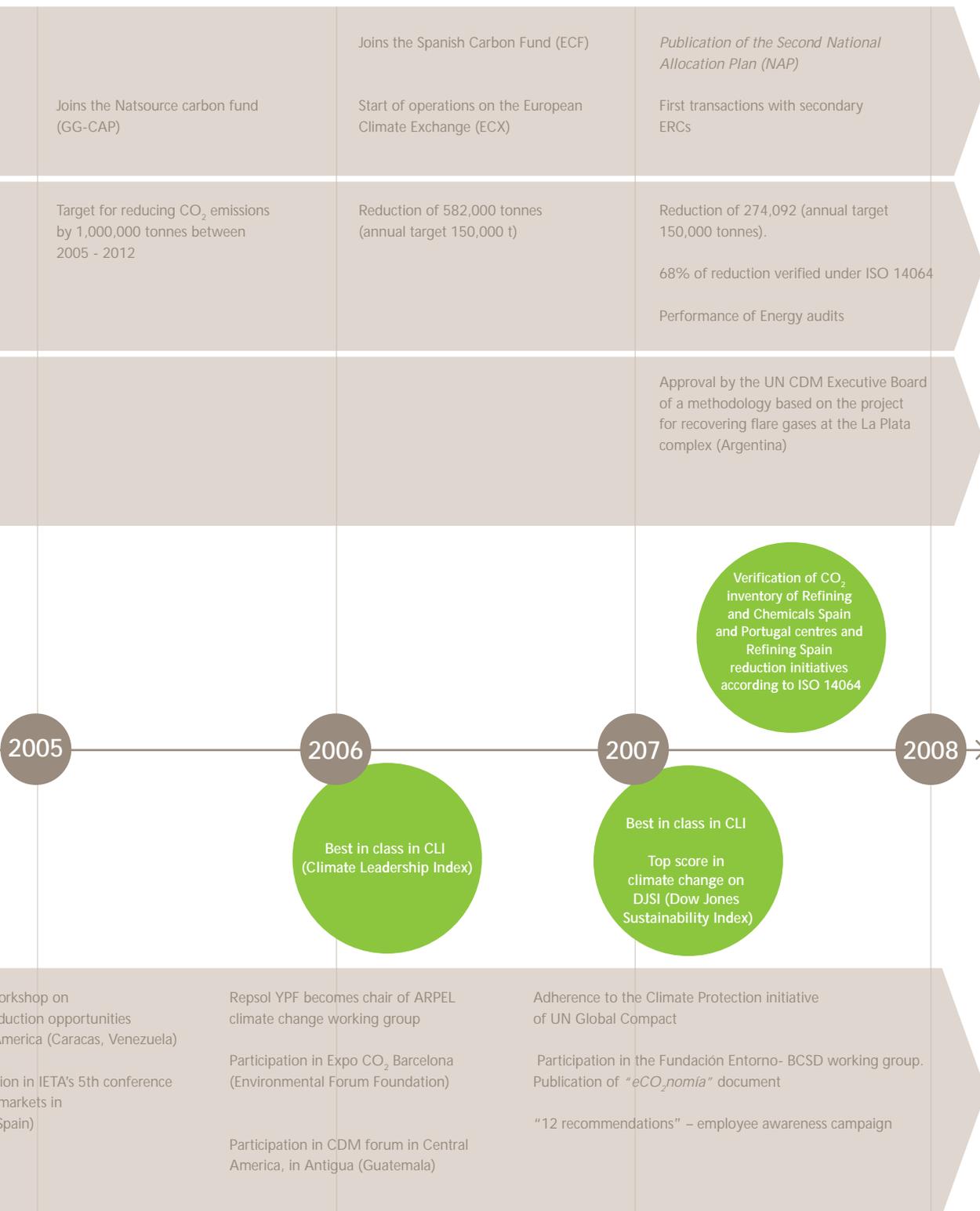
Finally climate change cannot be seen in isolation, but in the context of energy security. Addressing climate change effectively is not only an obligation, but makes good business sense and will be a competitive advantage for those that start early and learn how to extract maximum efficiencies. Even in the absence of a global agreement, business will be expected to address climate change in an effective manner – lack of global framework will not be an excuse for lack of action at the business level.

Andrei Marcu

Director, Energy and Climate - WBCSD (World Business Council for Sustainable Development)

2002-2007 milestones





Climate change at the highest levels of decision-making

Strategic decisions on climate change are taken at the highest levels of the company.

Senior management is responsible for defining and approving policies, setting strategies and identifying annual objectives with regard to climate change.

Additionally, since 2005 the Audit and Control Committee of the Board of Directors has guided the company's environmental policies, directives and objectives, including those related to climate change.

It is important to note that greenhouse gas reduction objectives are part of the annual objectives of the majority of Repsol YPF employees who have target-based variable remuneration schemes.

Repsol YPF also considers the most relevant climate change issues when making decisions on new projects and commercial activities, including but not limited to asset acquisition or exchange, mergers, alliances or joint ventures. These issues are included in the new environmental and safety due diligence regulation, approved in 2007 and applicable to the company's worldwide operations.

As part of its framework for operational risk management, the company also has models to measure risks associated with climate change.

Carbon Plan

The Carbon Plan is the tool used by Repsol YPF to deploy its strategy for a global and integrated management of its carbon portfolio in all its operations. This strategy is based on efficient and coordinated use of all available mechanisms for reducing emissions of greenhouse gases (GHG), contributing to the search for solutions to the problem.

The company's main lines of action are as follows:

- Acting in the European and international emissions markets.
- Catalogue of Emissions Reduction Opportunities (CERO).
- Development of internal Clean Development Mechanism (CDM) projects.

Market activity

Emissions trading is one of the central principles on which Repsol YPF's carbon management strategy is based. The company actively participates in the European market, under the European Union Emissions Trading Directive 2003/87/EC, and in the international market. As the markets have matured over the year, the company has increasingly diversified the commodities it sells, and has started to carry out transactions with secondary ERCs (Emission Reduction Credit) in 2007.

This market activity includes investment in International Carbon Funds, which carry out CDM projects in developing countries, in projects related to energy efficiency, renewable energies, waste management, changes in fuels and other initiatives, all in line with the company's policy to promote global action against climate change. With this investment, Repsol YPF participated in various projects in 2007, including a wind energy generation project in the state of Oaxaca (Mexico) and another to capture landfill methane in northern Egypt.

New National Allocation Plan 2008 – 2012

Both projects offer benefits in terms of technological transfer and sustainable development, creating employment and reducing environmental impacts in their respective communities.

Catalogue of Emission Reduction Opportunities (CERO): energy efficiency programmes and direct reduction projects
Repsol YPF has a Catalogue of Emission Reduction Opportunities (CERO) where all the company's businesses actively contribute to identify internal GHG reduction opportunities.

The CERO includes two main types of reduction activities at the company's facilities:

- energy efficiency programmes at industrial facilities.
- specific programmes for direct emissions reduction.

In 2005, Repsol YPF made a public commitment to reducing its GHG emissions by 1 million tonnes of CO₂ equivalent between 2005 and 2012, compared to the business as usual scenario.

During 2007, the company reduced its CO₂ emissions by 274,092 tonnes compared to the business as usual scenario, exceeding its annual reduction target of 150,000 tonnes of CO₂ equivalent. This decrease has been possible thanks to specific consumption and reductions projects implemented in the company's refining activities, as well as other projects such as improvements to the power factor in 2007 in Block 16 exploration and production activities in Ecuador.

In January 2005 the European Emissions Trading Market was implemented, governed by the European Emissions Trading Directive 2003/87/EC. This market is only applicable to CO₂ and specifically to those emissions generated by certain industrial sectors, including oil refineries and electrical energy generation installations with more than 20 MW of power.

Each member state must prepare a National Allocation Plan (NAP) to determine the free emission rights allocated to the industrial facilities included within the Directive. The first National Allocation Plan covered the period from 2005 to 2007. In 2007 and during the first few months of 2008, the European Commission approved the second round of National Allocation Plans for 2008-2012 and, subsequently, the Spanish and Portuguese NAPs were approved by Royal Decree 1030/2007 and Order 2836/2008, respectively.

In 2007 the European Commission also approved Decision 589/2007, which replaces former Decision 156/2004, defining the monitoring and reporting methodology for greenhouse gas emissions. In the third quarter of the year Repsol YPF evaluated and implemented all necessary modifications relating the new regulation, submitting them to the relevant authorities for approval.

2008-2012 Allocation for Repsol YPF

	Allocation 2008-2012	Average annual allocation
Refining - Spain	52,847,936	10,569,587
Chemicals - Spain	5,993,300	1,198,660
Total Allocation Spain	58,841,236	11,768,247
Chemicals - Portugal	5,159,970	1,031,994
Total Allocation Europe	64,001,206	12,800,241

Tonnes

Efficient methodologies for energy audits

A number of initiatives to detect energy saving opportunities in the Downstream industrial complexes has been implemented as part of the company's continuous quest to improve operations and subsequently reduce specific energy consumption in fuel production.

In line with this objective, in 2007 an internally-developed Repsol YPF methodology was applied to the A Coruña refinery, for a quick and simple review of ten operating and equipment issues in the industrial units (in this particular case, an atmospheric distillation unit and a vacuum distillation unit were audited), and to evaluate energy consumption reduction opportunities in economic and CO₂ emission terms.

The improvement activities which have been undertaken based on the results of the aforementioned audits range from the operational optimization of blast furnaces to the repair of small vapour leakages. When considered as a whole, this large number of minor improvements in the company's facilities makes a clear contribution to reducing the carbon footprint of its businesses.



It is important to note that 187,568 tonnes, 68% of total reductions quantified during the year, have been verified in line with standard ISO 14064.

Another action carried out by the company to identify reduction opportunities are energy efficiency audits at its facilities. Particularly noteworthy in this area is the audit carried out in 2007 in the A Coruña refinery's Downstream division, as well as those performed in the first few months of 2008 in the Upstream division in Trinidad and Tobago and Las Heras and Mendoza in Argentina.

Independent Experts Committee - Question 2

What global quantifiable greenhouse gas reduction targets has Repsol YPF set for each year with regard to Kyoto Protocol commitments? Have the targets set for 2006 been met?

Repsol YPF has set the strategic target of reducing emissions of CO₂ equivalent by 1 million tonnes between 2005 and 2012, which will be achieved through annual reductions of at least 150,000 tonnes from 2006 onwards, compared to the business as usual scenario. These targets have been approved by the company's Executive Committee and also form part of the annual objectives of the majority of Repsol YPF employees with target-based variable remuneration schemes.

Repsol YPF has a Catalogue of Emissions Reduction Opportunities (CERO) to actively promote the identification and attainment of emissions reduction opportunities, which is updated on an annual basis and includes projects within the hydrocarbon production line.

These projects have varying characteristics, depending on the segment of oil and gas production line where they are carried out. For crude oil and gas production, projects focus on the recovery of flare gases, conversion of single cycle electricity generation to combined cycle generation, replacement of gas-powered pneumatic equipment with equipment powered by electricity, etc. At the transport, refining and distribution stages, reduction opportunities mainly involve the recovery of flare gases, the installation of air pre-heaters in furnaces, projects based on technologies specific to the petrochemical industry (for example, installation of hot expanders), and so on.

In 2006 the company easily met its target through energy efficiency programmes within the Downstream division: 230,000 tonnes for refining activity and 352,000 tonnes for the chemicals division.

In 2007, Repsol YPF also met its target, through the implementation of measures contained in energy efficiency programmes for Downstream activity, and the reduction projects for Upstream activity.

ISO 14064: moving forward in carbon footprint transparency

As part of Repsol YPF's Carbon Plan, the company has decided to undertake the verification of its corporate greenhouse gases inventory and GHG reduction focused initiatives under the ISO 14064 standard. As a first step towards achieving this ambitious objective, in 2007 Repsol YPF verified the CO₂ inventory for the Refining and Chemicals divisions in Spain and Portugal (52% of the company's total inventory), as well as the activities directed at reducing consumption and specific measures in refining activity in Spain.

Standard ISO 14064 details the specifications and tools required on a global company and project level to validate and verify GHG emissions, specifying the requirements to design and develop GHG inventories and the way in which emissions should be quantified, monitored and reported.



Repsol YPF considers that by adopting this standard:

- Consistency, transparency and credibility towards stakeholders will be guaranteed in the GHG quantification, monitoring and reporting processes.
- The identification and management of GHG-related risks and opportunities will be improved.
- Methodologies for the design, development and implementation of GHG emission-reducing opportunities and programmes will become more standardised.
- The development of baselines for those facilities likely to undertake CDM projects will be guaranteed and given added credibility.

The GHG Report, which includes detailed information on verification of the inventory and all reduction activities, has been prepared by Repsol YPF in line with standard ISO14064-1, and is available on the company's website.

The CO₂ Inventory Declaration of Conformity for Refining and Chemicals activities in Spain and Portugal and the reduction focused initiatives for Refining in Spain from DNV is shown in pages 62 and 63.



DNV Assurance Statement for REPSOL YPF CO₂ Corporate Inventory and Directed Actions 2007 Activities: Refining & Chemical Spain and Portugal

Introduction

REPSOL YPF has commissioned DNV to perform a limited review of their CO₂ Inventory emissions and Directed Actions covering the calendar year 2007 from its activities included in the GHG Report of REPSOL YPF "Report GHG 2007 of the CO₂ emissions of Refining & Chemical Spain and Portugal" dated Feb 2008, which is part of this statement.

Issued by the Organization: REPSOL YPF Paseo Castellana 280 28046 Madrid (Spain)
Responsible Party Representatives: Mr. Jaime Martin Juez jmartin@repsolypf.com

REPSOL YPF was responsible for reporting the CO₂ emissions in accordance with the referenced standard UNE-ISO 14064 Part 1.

Scope of Work

Our limited review, addressed the following reported CO₂ emissions and directed actions for the calendar year 2007, generated within REPSOL YPF installations located in Spain & Portugal. Refineries Petroror, Tarragona, Cartagena, Puertollano & Coruña. Chemical plants Tarragona, General Quimica, Puertollano, Polidux, Sines, Dynasol Santander.

Direct Activities and eventual exclusions: Process Emissions from chemical and refining processes, Combustion Emissions from fossile fuels burned in the installation's production/ auxiliary processes and cogeneration plants.
There are sources excluded (Offices outside of the sites, all sources which contribute less than 3% of the total emissions of each plant)

Indirect Activities and eventual exclusions: Emissions from generation of Imported Electricity, Vapour & H₂ consumed by the installations.
There are sources excluded (Crude transport by external companies, travel of employees, Raw material purchases different to Hydrogen, Transport and disposal of wastes by external companies).

Due to the characteristics of fugitive emissions verified, these can be considered negligible

- **Directed Actions:**
It was verified the reduction of CO₂ emissions from directed actions developed in the Refining Business Spain, compiled in the programme of reduction of consumptions and losses. This programme coordinates the actions to be implemented in every refinery in order to reduce the fuel consumptions and the reduction of losses in the units of the installations.

Objective

The objective of the verification is to provide the interested parties with a professional and independent judgment about the information and data contained in the above indicated GHG Report of REPSOL YPF.

Materiality

Omissions, misrepresentations, or errors that can be quantified and result in discrepancies of 5% for Installations included in EU ETS and 10% for Installations not included in EU ETS or higher with regard to the declared total quantity of GHG - in equivalent tons of CO₂- are considered material.

Criteria

The reference requirements for the elaboration of the GHG inventory, which serves as the basis for the information and data reported in the GHG Declaration, are:

- 1) UNE-ISO 14064-1/ April 2006: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals.
- 2) UNE-ISO 14064-3/April 2006: Specification with guidance for the validation and verification of Greenhouse Gas Assertions.
- 3) European Commission Decision 2004/156/CE of the 29/01/2004 establishing guidelines for the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council.
- 4) Report GHG 2007 of the CO₂ emissions of Refining Spain & Chemical Spain and Portugal dated Feb 2008 and other Internal REPSOL YPF procedures based on international standards for petrol and gas sector.

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As a part of the verification process, DNV:

- obtained an understanding of the systems used to generate, aggregate and report the selected greenhouse gas (CO₂) data at site level and corporate level.
- conducted interviews with group- and relevant entity level responsible persons for data gathering, aggregation and consolidation processes;
- had access to specific documents, data and information made available by REPSOL YPF and reporting units;
- several installations were verified on site, following the criteria set in a preliminary risk assessment to assure the completeness of the sources covered, the activity data, the data gathering, the management process and data quality at site level and corporate level.

DNV expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

Opportunities for Improvement

Regarding GHG System Documentation, several areas of improvement which were detected: a) Further definition in the documentation of the operational limits and sources of the installations in the chemical activity, b) development of documented procedures defining the methodologies to be followed for the calculation of flare emissions in the chemical activity c) development on the GHG inventory documentation system, of uniform methodologies of error estimation for potential events which could lead to a non fulfillment of defined procedures.

Regarding GHG Measurement Instrument Control, several areas of improvement were detected in the chemical activity: a) control of the activity data measurement instruments to be included in the existing management system of the instrumentation, in order to assure a correct calibration; in addition, the defined frequency for the periodical calibrations of equipments to take into account the existing national regulations.

Regarding GHG Inventory Management, several areas of improvement were detected: a) the activity data compiled by mean of orifice plates, not always is compensated by temperature; then, a quantification of such errors in order to estimate its contribution to the applicable materiality is necessary

Conclusion

Based upon the above, in our opinion, nothing has come to our attention that causes us to believe that the reported CO₂ emissions, set out in the "Report GHG 2007 of the CO₂ emissions of Refining Spain & Chemical Spain and Portugal" dated Feb 2008, are not fairly stated.

The Directed Action developed by REPSOL YPF for the Refining activity (Consumptions and Losses) has contributed to the reduction of emission of 187.568 tonnes of CO₂ with respect to year 2006.

The verification of this directed action do not imply that DNV has verified the 2006 CO₂ inventory.

Summary of Green House Gas Emissions claimed by the organization relative to period 2007

Control Criteria	Operational Control		Equity Share	
	Direct Emissions	Indirect Emissions	Direct Emissions	Indirect Emissions
Refining Spain	10.176.880	956.317	9.834.103	851.522
Chemical Spain & Portugal	2.376.007	420.987	2.386.560	389.582
Total CO₂ (t/year)	12.552.887	1.377.304	12.220.663	1.341.104

Ricardo Alvarez
Lead Verifier

Madrid 2008-03-11

Lars Appel
Country Manager

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Clean Development Mechanism (CDM) projects

Repsol YPF considers that Clean Development Mechanism (CDM), within the framework of the Kyoto protocol's flexible mechanisms, is an efficient way to transfer technology and to encourage the search for and implementation of reduction projects to meet targets.

As part of the Catalogue of Emissions Reduction Opportunities (CORE), the company is committed to identifying and developing CDM projects and has established a clearly structured sequential analysis process to do so. This process is split into four stages and all reduction opportunities detected are treated as potential reduction projects, and the possibility of treating them as CDM is assessed.

United Nations has approved the first methodology submitted by Repsol YPF for recovery and utilization of flare gas in refineries

Of note in 2007 was the United Nations CDM Executive Board's approval of the first methodology submitted by Repsol YPF, based on a project to recover flare gas at the La Plata Industrial Complex in Argentina.

Approval of the “Baseline and Monitoring Methodology for the recovery and utilization of waste gas in refinery facilities” by the United Nations CDM Executive Board

All Clean Development Mechanism (CDM) projects must be associated with a Baseline and Monitoring Methodology that has been approved by the CDM Executive Board of the United Nations Framework Convention on Climate Change (UNFCCC). The aforementioned methodology must establish the approach for selecting the baseline scenario to represent the emissions which would have been generated had the project not been implemented, and should also outline a monitoring plan to quantify the reduction in emissions achieved by the project.

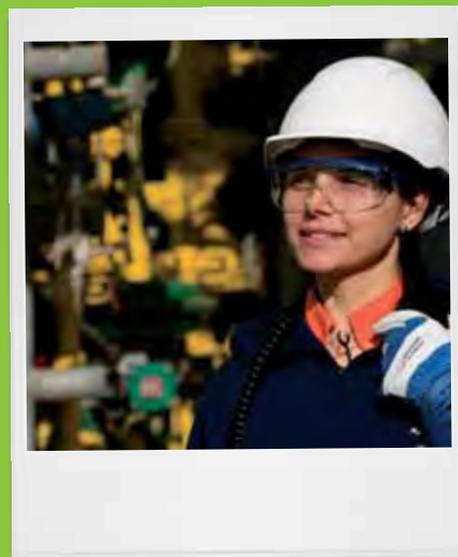
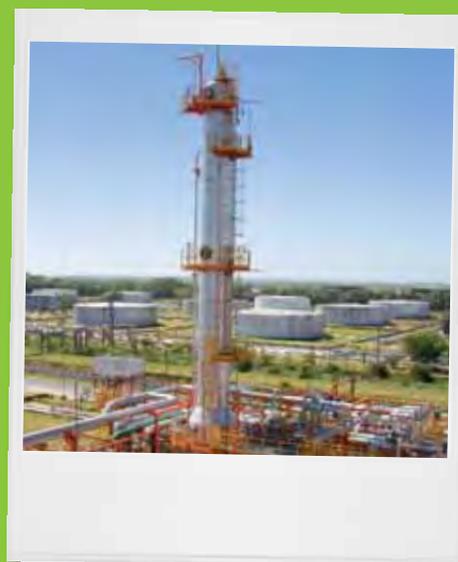
If there is no pre-approved methodology applicable to the project to be presented for registration as a new CDM, the “proposing party” must design a new baseline and monitoring methodology to be approved by the CDM Executive Board.

In line with the company's Position on Climate Change, on July 4th 2006, Repsol YPF submitted for approval by the CDM Executive Board its “Baseline and Monitoring Methodology for the recovery and re-use of flare waste gases at refineries” (“NM0192 Recovery and utilization of flare waste gases at the Industrial Complex of the La Plata Project”). This methodology is based on the flare gas recovery programme at the La Plata Industrial Complex in Argentina. Following an intense period of analysis, the methodology was approved by the CDM Executive Board

in its 33rd session, in July 2007, and was named AM0055 “Baseline and Monitoring Methodology for the recovery and utilization of waste gas in refinery facilities”.

The approval of this methodology represents an excellent opportunity for the rest of the companies within the sector interested in projects to recover flare waste gases in refineries located in countries not included in Appendix B of the Kyoto Protocol and which meet certain specific characteristics.

Proof of the quality of the approved methodology can be seen in the fact that the CDM Executive Board included various parts of it in the ACM0012 “Consolidated baseline methodology for GHG emission reductions for waste gas or waste heat or waste pressure based energy system”. Furthermore, subsequent to approval of the AM0055 methodology, the CDM Executive Board also approved the AMS-III-P methodology for “Recovery and utilization of waste gas in refinery facilities” for small-scale flare waste gas recovery projects (reductions of up to 60,000 tCO₂/year), based entirely on the methodology previously submitted by the company.

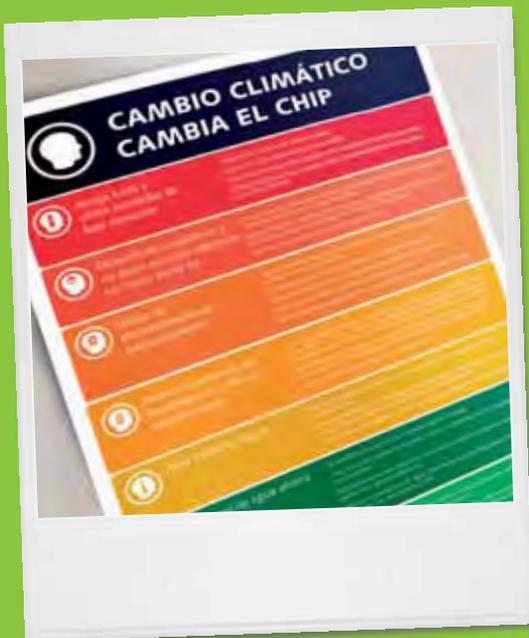


12 recommendations for raising awareness among our employees

In 2007, Repsol YPF prepared a leaflet on climate change to raise awareness among the personnel and to spread out Repsol YPF's Position on Climate Change.

Using the question "do we really know what it's about?", the aim of the leaflet was to provide employees with more extensive knowledge of the implications of climate change, the company's actions in the area and how each and every one of us can help fight climate change.

Under the slogan "*cambio climático, cambia el chip*" (change your mindset on climate change), the company included 12 simple recommendations on how to change day-to-day habits, showing that through the smallest of gestures we can all help to reduce emissions, save energy and "commit ourselves to the planet".



Working towards joint solutions

One of the key lines in Repsol YPF's strategic approach to climate change is participation in the debate with public authorities and sector-based organizations on the search for solutions. Of particular note is the company's active participation in working groups created by IPIECA, ARPEL and IETA.

Furthermore, in 2007 the company also participated in the *Fundación Entorno-BCSD España's* Climate Change and Energy working group, along with other 19 Spanish companies. This group aims to act as a multi-sector platform for analysing solutions and alternatives for energy sustainability, and to encourage joint debate on how to tackle a sustainable transition to a low-carbon economy.

During the year, the "*eCO₂nomía. Liderazgo empresarial hacia una economía baja en carbono*" ("eCO₂nomy. Business leadership towards a low-carbon economy") document was published, allowing the working group's member companies to raise social awareness on the importance of energy sustainability and mitigation of climate change as part of business strategy.

"Caring for Climate": Repsol YPF forms part of the Global Compact's business leadership platform

A joint declaration and a new initiative ("Caring for Climate: the Business Leadership Platform") were published to coincide with the United Nations Global Compact Leaders Summit held in Geneva in 2007. Repsol YPF signed the declaration, giving full support to the new initiative.

“Caring for Climate” is a voluntary and complementary platform for those Global Compact participants who show their leadership in combating climate change, creating a benchmark in the search for practical solutions within the business world and contributing to shape and develop efficient global public policies.

This is a unique initiative representing a clear commitment to action and transparency from the business world, and a call to governments for collaboration with the private sector. Business leaders, including Repsol YPF, have committed to the collaboration in joint initiatives between the public and private sectors.

R&D activities and innovative solutions

In addition to the reduction programmes described above, Repsol YPF is also committed to developing new technologies that involve fewer GHG emissions (see the chapter on “New energy challenges”).

Particularly noteworthy is the CO₂ capture and storage research in which the company is actively involved.

Throughout 2007, Repsol YPF has continued to create internal and external knowledge networks for CO₂ capture and storage (CCS), through the formation of a CCS Interest Group including the company’s different businesses, the Technology Division and the Climate Change Unit. The company has also participated in consortiums such as Carbon Capture Project (CCP2), IEA GHG, CO₂NET, working groups organized by CONCAWE and OGP and the Spanish CO₂ Technology platform.

Work also began on a study into CO₂ capture and storage costs for several Repsol YPF’s industrial units, and the company continued its involvement in the CASTOR, CCP2 and TOPCOMBI projects, which tackle the development of technologies and methodologies for the different stages of a CCS project.

Information on greenhouse gas emissions

Following the GHG reporting guidelines of IPIECA, API and OGP, Repsol YPF reports direct CO₂ and CH₄ emissions and indirect CO₂ emissions.

The company’s direct greenhouse gas emissions inventory is based on two approaches:

- i) Inventory based on operational control criteria, following the general reporting criteria contained in this Corporate Responsibility Report (see the ‘About this report’ section) – in other words, including those subsidiaries in which Repsol YPF has a majority shareholding and/or operational responsibility. Emissions from facilities located within the European Emissions Market have followed the terms of Directive 87/2003 and the approved inventory methodologies.
- ii) Inventory based on equity control criteria, whereby emissions from company activity are recorded in line with the amount of shares Repsol YPF holds in each of the companies.

Greenhouse Gas emissions (operating control criterion)

	<i>Million tonnes</i>				
	2003	2004	2005	2006	2007
CO ₂	21.337	21.633	23.116	23.776	24.296
CH ₄	0.124	0.104	0.146	0.152	0.148
CO ₂ equivalent	23.940	23.819	26.190	26.964	27.403

Direct emissions

Emissions from facilities with operational control

As changes are made to the structure of the company's assets, prior years' emissions must be adjusted to establish common bases for comparison over time that subsequently allow trends in emissions to be determined. Baseline change criteria are included in the "Oil industry guidelines for reporting greenhouse gases" (API/IPIECA/OGP).

For the first time in 2007, the company's GHG inventories included CO₂ flare emissions at the Tarragona, General Química and Química Santander chemical plants. CH₄ emissions, generated by vented gas from tanks due to the loss of flash pressure, in the Las Heras E&P field in Argentina, were also included, as well as the CO₂ and CH₄ emissions from pipelines operated in Argentina, which had previously not been included. Bearing this in mind, emissions for years prior to 2007 have been adjusted (up to the base year of 2003).

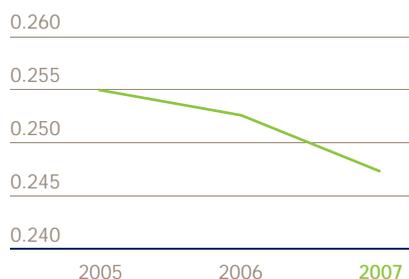
In 2007 CO₂ equivalent emissions increased by 1.6%, the lowest rise in the last three years.

CO₂ emissions have risen by 2.2%, with growth concentrated in Upstream activity, mainly in Mendoza, Argentina (0.209 million tonnes) due to increased venting in certain oilfields, as well as in the Block 16 area (0.07 million tonnes) as a result of increased production and a change in the type of fuel used. Emissions have also risen in Downstream activity, albeit to a lesser extent, specifically in the La Plata refinery in Argentina (0.129 million tonnes) and the chemical industrial complex in Sines, Portugal (0.114 million tonnes) due to the increase in production.

Nevertheless, the intensity of CO₂ equivalent emissions from the company's refining activity has fallen by 2% on 2006 figures, due to the activities carried out on reducing consumption which resulted in a 0.261 million tonne reduction.

Intensity of emissions - Refining

Tonnes of CO₂eq/Tonnes of crude oil processed



Energy consumption

	2003	2004	2005	2006	2007
Fuels (Million tonnes)	6.07	6.44	6.46	7.04	7.23
Electricity (10 ⁶ MWh)	3.69	3.70	3.84	3.70	3.88
Total energy consumption (10 ⁶ GJ)	283.73	294.25	294.54	324.49	344.53

Emissions from facilities based on equity control criterion

In this case, Repsol YPF reports greenhouse gas emissions from its activities in accordance with the proportion of shares it holds in each installation. Based on the afore mentioned criteria, in 2007 these activities produced a total of 29.07 million tonnes of CO₂eq.

Indirect emissions

As well as direct emissions, Repsol YPF also reports indirect emissions on an annual basis, resulting from the company's own activity but produced by sources owned or controlled by third parties. There are two main kinds of indirect emissions within this category:

- Emissions associated with energy purchases (electricity or steam) from external sources. In 2007, these emissions totalled 1.83 million tonnes of CO₂eq.
- Emissions from the production and transport of imported hydrogen for the company's oil refineries and chemical plants. In 2007, 0.75 million tonnes of CO₂eq were recorded.

Energy consumption

The attached table shows historical trends in fuel consumption, purchased electricity and the company's total energy consumption.

Energy consumption in 2007 has risen by 6% compared to 2006, mainly because of increased fuel consumption in Downstream (Spain and Portugal) and Upstream (Argentina and Ecuador) activities, as discussed in the section on "direct greenhouse gas emissions".



+ information

Climate change: climatechange.repsoly pf.com

The Intergovernmental Panel on Climate Change (IPCC): www.ipcc.ch

World Energy Outlook: www.worldenergyoutlook.org

European Climate Exchange (ECX): www.europeanclimateexchange.com

2008-2012 National Allocation Plan: eurlex.europa.eu

United Nations Framework Convention on Climate Change: unfccc.int/2860.php

The International Emissions Trading Association (IETA): www.ieta.org

Emission Trading Scheme (EU ETS):

ec.europa.eu/environment/climat/emission.htm

ISO 14064 and other ISO standards: www.iso.org

United Nations Global Compact Caring for Climate:

www.unglobalcompact.org/Issues/Environment/Climate_Change

Our commitment to safety

Respect for the environment, safety and human rights are part of the company's strategy

Initiatives planned	2007 progress	2008 objectives
<p>Improvements in safety</p>	<p>The strategic objective of obtaining a Lost Time Injury Frequency of 2.0 for employees by 2009 has been met two years in advance.</p> <p>The annual targets for Lost Time Injury Frequency for employees and integrated staff were met, with results of 1.9 and 2.4 respectively.</p> <p>246,550 hours of safety training have been given to an extension index of 33%.</p>	<p>Continue to implement initiatives that improve Repsol YPF's performance in the area of safety.</p> <p>Continue with training programmes aimed at reinforcing a safety culture and monitor the risk situations inherent to our activities.</p>
<p>Strengthening the safety of business processes</p>	<p>Continuation of programmes introduced to review the industrial risk analyses carried out at company facilities.</p> <p>Publication of guidelines on how to perform PHA and HAZOP studies in order to systemize risk analysis methodology across the company.</p>	<p>Continue developing / systemising industrial risk analysis studies at company facilities.</p>
<p>Constant improvements to the safety management system</p>	<p>25 new centres have been certified based on OHSAS 18001.</p> <p>Development of new standards for safety and environmental due diligence operations and for management of instrumented safety systems.</p>	<p>Extend the scope of OHSAS 18001 certification to new centres.</p> <p>Continue with the review and constant improvement of the company's standards system.</p>

How we protect our people and facilities

Improving safety and reducing numbers of accidents is a priority for Repsol YPF and accident-free workplaces and continuous improvement are its main goal.

Through its Health, Safety and Environment Policy, Repsol YPF is therefore committed to conducting its activities considering safety as a core value. Safety is also one of the ethical values covered by the company's Strategic Vision: "Measures are in place to ensure optimal health and safety conditions in the workplace. We demand a high level of safety in our processes, facilities and services, paying special attention to the protection of our employees, subcontractors, customers and the local surroundings, and this principle is transmitted to the entire organization".

Our commitment to society is: "to contribute to the sustainable development of society and firmly assume the commitment to support the communities in which we operate. Respect for the environment, safety and human rights are part of our strategy and guide business growth in a way compatible with the principles of sustainable development".

To achieve this goal, Repsol YPF establishes annual safety objectives within the framework of its safety and environment strategic lines that are approved by the company's Executive Committee.

Safety investments and expenses reached euros 152 and 142 million respectively

Within this planning process and in line with the industry trends, crucial areas are taken into account, such as the approach to prevention and the company's safety culture, safety processes and leadership in activities.

Each of the company's units draws up its own action plan that includes the necessary steps to meet safety objectives, improve management in this area and to meet the demands of new legislation, as well as the investments and expenses necessary to achieve these targets which are included in the company's general budgets.

These objectives are part of the annual objectives of the majority of Repsol YPF employees who receive variable remuneration based on set targets, underlining management's commitment to safety.

It's worth mentioning that, from 2005, Repsol YPF's Audit and Control Committee has been responsible for knowing and setting the safety and the environment policies, directives and objectives.

Our safety principles

Accidents can and must be avoided. In fact, over the last few years, the injury frequency rate at Repsol YPF has been constantly reduced. Also, among other initiatives, we have made significant investments to incorporate industry best practices in the field of safety in processes. Although this progress is encouraging, it does not mean that we can afford to relax when it comes to safety, and it is important to continue intensifying our efforts to improve management of this area.

Repsol YPF is committed to conducting its activities in a manner that incorporates safety, health and the environment as core values. For this reason, Repsol YPF's Health, Safety and Environment Policy clearly establishes the principles that should guide the behaviour of the company and of the people who are part of it: integrated leadership and management; the incorporation of health and safety criteria across all activities, from its initial planning to its termination; compliance with standards; constant improvement and communication and relations with society; and finally that, regardless of their location or position, all employees are responsible for their own safety as well as contributing to individual and collective efforts on safety, health and the environment.

However, in order to guarantee the safety of employees, contractors, customers and the local population, we need to focus our efforts on establishing a solid safety culture through the chain of command, headed by the Executive Committee, and monitor the risk situations inherent in our activities, intensifying our risk analysis programmes and training our own and contractor personnel. This will enable us to anticipate possible accidents and strengthen our prevention-orientated management.

We realise that safety and health in the workplace are fundamental to maintaining our position as a standard bearer in corporate responsibility. Consequently, we will continue to dedicate all the efforts and resources necessary for us to be considered a reference in these areas as well.

Pedro Fernández Frial
Executive Director of Downstream, Repsol YPF

Business commitment to health and safety

The commitment to protect employees' safety and health is one of the foundations of corporate responsibility. Socially responsible companies increasingly acknowledge that they owe safety to their personnel and third parties (workers from other companies, customers and the general public). It is also apparent that the challenges are not only in avoiding accidents but also increasingly in safeguarding health and minimizing the risks of work-related illnesses.

Oil and gas production bear inherent risks and companies engaged in these activities are often involved in construction, which has its own risks. Other extrinsic risk factors include decentralisation of production and a high level of subcontracting.

Risk prevention therefore requires particular attention to the coordination of activities. Only by demanding and monitoring compliance with safety standards in all contracts, it is possible to obtain positive results.

On the other hand, focusing on training and information on professional risks and the commitment of the company and group management makes it possible to instil a culture of accident prevention that must be adopted by the entire organization for safety objectives to be met.

The investments and efforts made in raising awareness over the last few years are bringing down accident rates. Nevertheless, there is still much to do, especially in greater attention to less obvious but equally important occupational health issues.



Solid management systems

Repsol YPF's management system pursues constant improvements in safety

The Repsol YPF Health, Safety and Environment Policy defines our commitments and principles on safety. The basis for the safety and environmental management system at Repsol YPF is the Environment and Safety Manual, which defines duties and responsibilities and establishes a system of shared management criteria and tools for the whole company. The manual complements an extensive body of standards, procedures and guidelines which comply with international standard OHSAS 18001 (Occupational Health and Safety Assessment System) and European Directive 92/82/CE "Seveso II", and which, along with the management systems developed by the business units/operating centres, constitute Repsol YPF's safety management system.

Best practices in regulatory systems

Excellent safety management relies on efficient and flexible regulatory systems. Repsol YPF is involved in a continuous process of improvement of its regulations and procedures in order to transmit its safety strategic approach to its operations.

An important area of work, therefore, is the continuous improvement of the Repsol YPF management system via the incorporation of industry best practices and recommendations from the insurance sector. The company also takes part in national and international forums, exchanging experiences and best practices in the field of safety.

Noteworthy in 2007 was the development of new regulations on the management of instrumented safety systems, analysis of industrial risks, and the due diligence standard for safety and the environment, which establishes the basic guidelines for carrying out safety and environmental evaluations for possible commercial operations involving the acquisition or exchange of key assets.

Audits and certifications

Audits are a key element in risk control. For this reason, Repsol YPF establishes its own methodology in its Environment and Safety Audit Manual and prepares an annual plan for internal and external voluntary or mandatory audits.

In 2007, a total of 479 internal and 547 external safety and environment audits⁽¹⁾ were carried out, of which 132 were associated with certification processes.

(1) Number of "cross" internal audits (carried out by qualified personnel from a different centre to that audited). Internal audits carried out locally by each centre's own personnel have not been included.

Besides, the gradual certification of its operational centres based on the standard OHSAS 18001 is part of the company's strategy and objectives, as a way of promoting continuous improvement in management systems and risk control using international standards.

During 2007 the number of OHSAS 18001 certified centres continued to increase. Of note were the certifications obtained in Spain at the chemical plant in Polidux (Spain) and 23 LPG factories in Spain and Argentina, and the lubricants plant in Argentina. Certification for exploration and production activities in Colombia and the Technology Centre in Spain were also obtained during the first quarter of 2008.

Including the aforementioned new certifications, Repsol YPF now has certification for six refineries, eight chemical plants, three exploration and production operations, the geophysical operations in Argentina, 23 LPG factories, 15 lubricant and specialities plants as well as one underground natural gas storage facility and the two technology centres in Spain and Argentina. All the certificates obtained by Repsol YPF can be viewed at repsolypf.com.

Involvement from everyone

Repsol YPF focuses its efforts on instilling a solid safety culture through leadership from the chain of command, holding training programmes for employees and contractors, promoting best practice exchange workshops and establishing channels for releasing information, regulations and technical documentation on safety.

Repsol YPF believes that the visibility of the chain of command in the workplace is critical to improving its safety culture. As testimony of this, during 2007, management stepped up their active participation in plans for safe behaviour observations at company facilities and in safety meetings held by employees and contractors, amongst other initiatives.

On the other hand, Repsol YPF encourages training for all employees, based on their responsibilities and activities. During 2007, the company focused its efforts on rolling out and promoting the principles contained in the new Health, Safety and Environment Policy approved in 2006 for its employees, contractors and suppliers. At the same time, the company has also developed the first phase of specific training schedules aimed at all levels within the organization.

Safety training in 2007 ⁽¹⁾

	Personnel	Hours	Employees trained index (%) ⁽²⁾
Spain	9,296	186,123	39%
Argentina, Brazil and Bolivia (ABB)	5,169	52,261	46%
Rest of the world	402	8,166	16%
Total	14,867	246,550	33%

⁽¹⁾ Data includes permanent and temporary employees and does not include training provided to contractors.

⁽²⁾ Employees trained Index: staff that received training as a percentage of the maximum headcount for the year

Safety Master Plan in Ensenada, Argentina

The Ensenada Industrial Complex has established a three-year cultural transition plan that includes changes in the way that information obtained from safe behaviour observations is handled, assigning the follow-up of deviations to the different managers of the Complex.

This methodology has encouraged the integration of the chain of command with safety management in accordance with Repsol YPF's Health, Safety and Environment Policy.

As a result of the programme, by the end of the year there was a 25% reduction in reported incidents of unsafe behaviour in the workplace, compared to early 2007.



Training on controlling typical risk situations in our activities has also been intensified, especially relating to areas such as work permits, insulation, excavation, confined spaces, work at height, hoisting and driving safety.

Repsol YPF also encourages forums through which employees can share experiences and good practices in the area of safety, such as the different good practice days held in Spain and Argentina as in previous years, involving employees from across the company's business lines.

Meanwhile, the company participates in various forums for dialogue and exchange of experiences on a national and international scale. These include various working groups on health and safety in the workplace organised by the Regional Association of Oil and Natural Gas Companies in Latin America and the Caribbean (ARPEL), the International Association of Oil & Gas Producers (OGP), the Autonomous Commission for Safety and Hygiene at Work in the Chemical and Related Industries in Spain (COASHIQ), the European Environmental Association of Oil Companies (CONCAWE) and the Spanish Association of Operators of Oil Products (AOP).

Finally, the company has various internal communication channels used to circulate regulations and technical safety information, as well as sharing information on the most important developments in this area. These include the magazine "*Conecta*", the e-publication, "*Entre nosotros*" and the company intranet, "Repsolnet".

Management and reduction of industrial risks

Improvements in the identification, evaluation and management of industrial risks are essential to increasing safety at our facilities.

All company business areas have implemented plans to establish and intensify industrial risk analysis review programmes, both for new and existing installations.

Repsol YPF has developed a number of specific standards and guidelines to ensure industrial risks are identified, quantified and managed correctly over the full life of the facilities in line with the basic principle of prevention in all phases of the business.

In 2007 considerable improvements were made in the risk management system via the approval of regulations and guidelines detailing the correct way to manage industrial risks:

- *Regulation for management of instrumented safety systems*, that establishes a shared methodology for managing electrical or electronic safety systems for processes at company facilities over their entire life cycle, in line with standard IEC 61511 of the International Electrotechnical Commission. Specific requirements are set in terms of specification, design, installation, operation, maintenance, testing, validation and evaluation of the functional safety of instrumented safety systems.

- *Guidelines for PHA and HAZOP (HAZard and OPERatibility) studies* with the aim of standardising procedures for carrying out process risk analysis studies that permit the identification of potential risks and operational problems and evaluate the degree of associated risk.

Another key line of action for improving risk management and promoting safety in our business processes is to encourage the reporting of all incidents and investigation of accidents and incidents with the potential for significant losses. Repsol YPF's accident investigations are focused on identifying root causes, as knowledge thereof and the implementation of corrective measures are key to improving safety over the life of the facilities.

Safety in contracted works and services

A priority for Repsol YPF is the use of safety criteria in selecting and continuously evaluating contractors and suppliers, required to behave in line with its internal regulations.

This is evident in the company's General Purchasing and Contracting Conditions as well as the rating and evaluation framework for suppliers. These conditions stipulate that the supplier / contractor must comply with all applicable safety regulations arising from order / contract as well as those established by internal company practices and regulations.

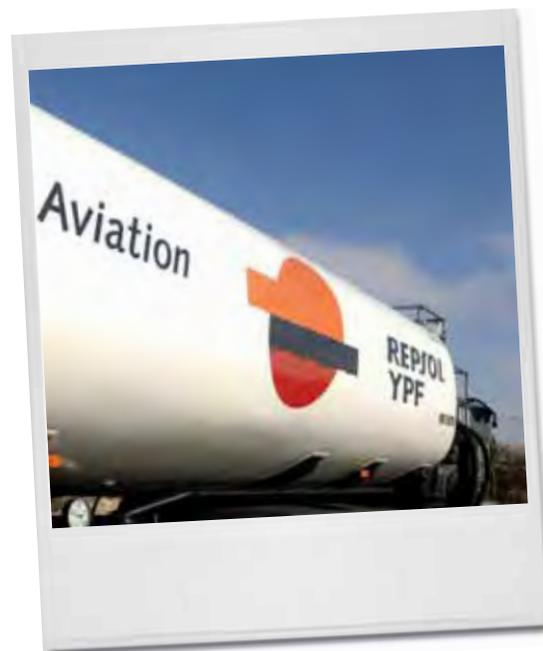
Repsol YPF also has safety standards applied to contracted works and services. The aim is to create a management framework that includes the key elements for acceptable behaviour with contractors, such as contractor relations policy, rating contractors in terms of safety, the requirements for engaging contractors and mechanisms for evaluating and controlling works carried out.

The company also encourages joint initiatives with contractors that help create smooth relations and produce tangible safety improvements. Evidence of these improvements can be seen in the Lost Time Injury Frequency rate for contractor personnel, down 29% in the last five years.

Transport safety

Repsol YPF pays special attention to safety in the transportation of people and goods, developing action plans to reinforce safety for land, sea and air transport.

Of note in 2007 were the different specific initiatives taken in road safety training, whereby 615 company employees received 4,862 hours of training in Spain and Argentina, the entry into force at the beginning of the year of the new vetting regulations revised to include new, more demanding criteria for ships which transport Repsol YPF loads or which operate in terminals managed by the company, and the preparation of specific regulations for air transport.



In 2007 a specific regulation was introduced for air transport safety in exploration and production activities. The objective is to set general safety guidelines, management responsibilities, standards and minimum requirements to be followed by the exploration and production organizational units when contracting or using any kind of air transport service (apart from regular commercial airlines) or organising aviation related activities and running the associated facilities.

Air transport safety in exploration and production activities

Exploration and production activities often take place in remote, inaccessible areas such as deserts, jungles or at sea (offshore). In order to reach these facilities, it is often necessary to use helicopters or light aircraft. Even on land, the initial stages of geophysical operations or exploratory drilling can often take place in areas with difficult land access. Air transport then becomes the safest and most practical option both for people and equipment, but requires strict adherence to guidelines.

Given the growth in these activities and the consequent exposure to risks associated with air transport, in 2007 Repsol YPF approved a standard for management of this risk, applicable across all exploration and production activities. This standard sets out the principles, responsibilities and functions for air transport contracts and services.

In tandem with this initiative, Repsol YPF has also approved detailed technical standards to support the selection, contracting and management of air transport, in line with industry best practices and international regulations.

Particular emphasis has been placed on the contracting process to correctly define aircraft technical requirements, pilot experience and training, management systems, operating procedures and maintenance requirements for air transport operators.

These requirements are included in standard contracts developed for each type of operation. Internationally renowned external advisors are used during the entire process, including the technical evaluation of offers.

At the same time, an intense auditing programme of airline operators and airline inspectors has been drawn up, applicable to both existing and new contracts with the aim of working only with previously approved operators.

In 2007 34 audits were carried in different regions where the company operates (four in Argentina, three in Brazil, twelve in the Pacific, seven in the Gulf of Mexico and the Caribbean, two in Spain and six in North Africa).

The thrust of transport safety comes as part of the principle of incorporating safety criteria over the life of Repsol YPF activities as part of the company's Health, Safety and Environment Policy.

Product safety

Repsol YPF markets products that comply with safety, health and the environmental requirements established by prevailing legislation. As part of the company's commitment to the health and safety of our customers, Repsol YPF makes available the Safety Data Files (SDF), that provide extensive safety information on the characteristics, safe handling, preventative measures and measures to take in the case of an incident for all products sold, and not only those required by law.

The documents are regularly updated in line with changes in legislation.

Internal safety files (ISF) are also prepared to inform personnel of the dangers of chemical products and preventative measures for safe handling. An IT application which is accessible via the company intranet, was designed in order to enable users to consult and retrieve information on these documents.

In 2007, the Lost Time Injury Frequency rate for employees fell by 24% compared to 2006, achieving the annual target

Repsol YPF also supports the objectives of the European REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemical Substances) on health and safety and the environment that came into force on 1 June 2007.

This is a new regulatory framework for the registration, evaluation and authorisation of chemical products, which will improve health and environmental protection via a proactive attitude on the part of industry in identifying the properties of chemical products and their effects on health and the environment.

The company has designed a strategy to comply with legislation based on two lines of action:

- The creation of working groups to become familiar with the portfolio of products falling within the scope of the REACH regulations, compile the necessary information and act in a coordinated and uniform manner in all the company's business units.
- Active participation in forums organised by organizations in the oil and chemical industry for exchanging experiences and best practices, as well as joint studies aimed at better understanding the properties of products and evaluating risks.

Our safety record

Repsol YPF earmarks considerable resources for improving safety, and pursues the goal of no accidents in its operations.

Despite our best efforts, regrettably there were 10 accidents with 12 fatalities (all contractors) in the course of our activities in Argentina, Spain, Ecuador and Peru in 2007. Five of these deaths were due to road traffic accidents.

Nevertheless, the company's initiatives have reduced the number of accidents with days lost, both for employees and contractors.

In 2007, the Repsol YPF Lost Time Injury Frequency rate for employees (1.9) fell by 24% compared to 2006, achieving the annual target and the company's strategic objective for 2009 two years in advance.

Special mention should be made of the notable improvement in the LTIF for employees in the International LPG area, which has been reduced by 45% compared to 2006.

The integrated LTIF (employees and contractors) is 2.4, down 8% on 2006, again reaching the annual target.



+ information

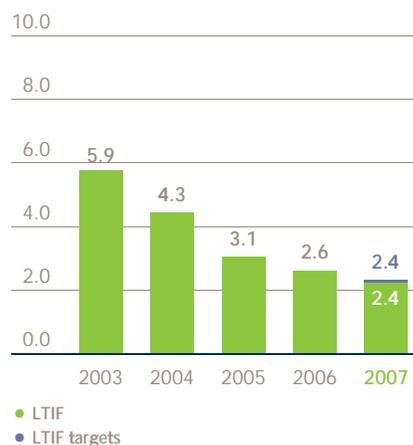
Health, Safety and Environment Policy: safetyandenvironment.repsolypf.com
Safety: safety.repsolypf.com
Registration, Evaluation, Authorisation and Restriction of Chemical substances (REACH): ec.europa.eu/environment/chemicals/reach/reach_intro.htm

LTIF for employees

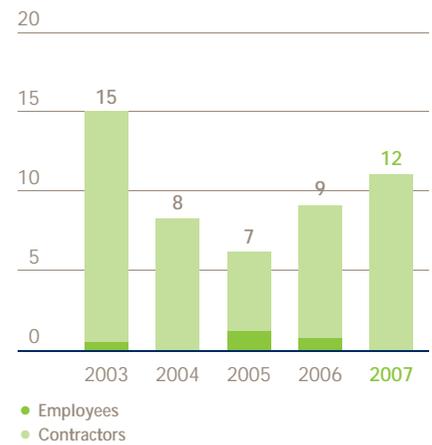


LTIF: number of accidents with lost working days and deaths accumulated for the year per million hours worked.

Integrated LTIF (employees + contractors)



Number of fatalities



Accidentability reduction recognitions

One and a half million hours worked without lost time accidents in investment projects at the Tarragona Industrial Complexes

On 15th October, the Engineering Division and Tarragona Industrial Complexes of Repsol YPF were commended for the million and a half hours of work accumulated without work-related accidents leading to lost days during the course of the investment projects being carried out at the complex.

The award was presented by the US company Fluor, an engineering company that has been working with Repsol YPF for some time in the field of prevention and safety, amongst other areas.

365 days without lost time accidents at the Cartagena refinery

The Cartagena refinery marked 365 days without lost time accidents for own and contractor personnel. The efforts made by all the workers were lauded by political figures as well as company management. Aside from the training they receive, workers are noted for their awareness, strictly observing safety measures in all their work.

Finally the COASHIQ awarded the refinery for zero lost time accidents over the year and also for having achieved, in 2006, the greatest reduction in the Lost Time Injury Frequency rate in the last five years.

Ethical behaviour in our relations

Ethical behaviour is inherent in Repsol YPF's business model; it is a key element for generating social trust



Initiatives planned

Review of the capacities of the Board of Directors in line with the corporate responsibility policies recommendations of the Unified Good Governance Code.

Introduction of reputational and ethical risks in the company's risk management systems. Identification of social risks.

Adoption of tools related to human rights in operations.

Development of a global tool for management of suppliers.

2007 progress

Approval for modifications of Board's regulations. Constitution of the Strategy, Investment and Corporate Social Responsibility Committee.

Launch and planning of the project for preparation of a corporate strategy for social risk management.

Preparation of action procedures in line with the Commitment to the Community Programme.

A system for managing all the company's suppliers was at the development stage.

2008 objectives

Strengthen the Board's capacities regarding corporate responsibility.

Corporate Social Responsibility Policy.

Monitoring of the project and preparation of a recommendations report.

Definition of items for preparation and implementation of a corporate strategy.

Approval of procedures and inclusion of these in the company's internal regulations.

Complete and implement the supplier management system in all the company's businesses.

Repsol YPF's outlook and goals

Generating social trust is a crucial success factor for major companies, subject to growing public scrutiny in ethical, social and environmental areas in an ever more globalised and competitive world.

The values that guide Repsol YPF professionals working in any part of the world are included in the employees' Ethics and Conduct Regulation of Repsol YPF, S.A., the ethical framework of reference in the Repsol YPF Group.

Given the sectors and fields in which Repsol YPF operates, such issues as human rights, equality, non-discrimination and community relations are especially important. The company also makes every effort to extend its own rules of behaviour to its contractors and suppliers.

New resources to design corporate responsibility initiatives

Following modification of the Board of Directors Regulations, approved on 19 December 2007, the Strategy, Investment and Competition Committee became the Strategy, Investment and Corporate Social Responsibility Committee. Its responsibilities include knowledge and guidance of the Repsol YPF Group's corporate responsibility policy, objectives and guidelines and reporting on these to the Board.

Ethics and Conduct Regulation, the guide to behaviour

Since it was approved in 2003, the Ethics and Conduct Regulation of Repsol YPF has guided the behaviour of company personnel, irrespective of their position or location. It addresses such issues as respect for ethical principles and local cultures and laws. The Board of Directors also approved the constitution of an Ethics Committee to ensure that the Regulation is circulated and respected within the organization.

On 14 June 2007 the Ethics Committee approved an extensive internal communications plan, the Rollout Plan for the Repsol YPF Ethical Framework, to ensure adequate disclosure and awareness of the Ethics and Conduct Regulation among all employees. The central objective was to emphasise that compliance with the Regulation is obligatory for all staff and also to establish the Ethics Committee as responsible for overseeing compliance.

The Ethics Committee, monitoring the Regulation

In April 2006 the Repsol YPF Board of Directors approved the constitution of the Ethics Committee to help ensure that all employees are aware of the Ethics and Conduct Regulation. The committee is responsible for overseeing publication of the Regulation within the organization and compliance therewith, and was formally set up on 4 December 2006, the date of its first meeting.

The Ethics Committee delegates the functions of its members, while their appointment and replacement is the responsibility of the Executive Committee.

Ethical behaviour in our relations

In recent decades companies have reaffirmed their position as unmistakable agents of change and social influence, conferred ever greater reach and importance by phenomena such as globalisation. What companies do and how they do it affects not only their immediate field but also the environments and societies in which they operate or offer their products and services.

At Repsol YPF we aim to be a company admired and recognised for responsible behaviour and our capacity for creating value in our surrounding communities.

We therefore understand corporate responsibility as integrating the commitment to protecting and improving the environment and the welfare of our stakeholders appropriately into our management practices. As a result, the company operates in a two-way system, receiving open and honest information from society while transparently informing the public about its activities.

The concepts of social and ethical responsibility are intertwined in our organization, as they both define forms of management or behaviour which have the goal of prudent and fair decision-making.

The Ethics and Conduct Regulation for Repsol YPF employees is an essential part of the ethical framework for our performance, inspired by values of integrity, transparency, responsibility and safety. These are the fundamental and enduring principles of our company.

In 2006, to make these principles a reality, the Board of Directors and Executive Committee approved the constitution of the Repsol YPF Ethics Committee, responsible for overseeing compliance with the Regulation within our organization. After the Regulation was revised in 2006, the Ethics Committee carried out an intense internal communications campaign in 2007, in the ethical framework of Repsol YPF, to boost awareness of the Regulation as well as the culture of ethical behaviour in our relations.

Luis Suárez de Lezo

General Counsel and Secretary of the Board of Directors, Repsol YPF

The opportunity to show leadership

Oil and gas companies around the world, as a corporate sector, have the opportunity to demonstrate leadership in the promotion and implementation of Corporate Social Responsibility (CSR).

Health and safety challenges, and the need in operations to leave a light 'footprint' on the environment, are among the issues to be covered by CSR policies and procedures. The human rights of local communities affected by oil and gas exploration and installations, as well as the employment rights of employees of oil and gas corporations, are other important aspects of CSR. New anti-corruption safeguards, and recent requirements directed towards improving adverse climate change manifestations, including the need to reduce carbon emissions, call for CSR policies and procedures to be extended, updated, and co-ordinated regularly to form a well-ordered body of standards benefiting all the stakeholders of a company.

How to achieve this CSR goal? The setting up of an appropriate organizational structure leading to the boardroom is a prerequisite of CSR ; careful planning, co-ordination, and implementation of CSR policies via procedures, such as environmental and human rights impact assessments; staff education, training and awareness of the company's CSR commitments; reporting on CSR developments to stakeholders by a company; and auditing, are all necessary elements of a CSR strategy. A suitable CSR budget must accompany such aims, or else failures will ensue - cutting financial corners by reducing health and safety investment, or neglecting to undertake impact assessments, or undue cutbacks in staff, will not realise a corporation's CSR goals.

Companies which work with, or alongside, non-governmental organizations (NGOs), rather than in opposition to them, are yielding positive results. To be listed on recognised indexes, such as FTSE4Good or the Dow Jones Sustainability Indexes, is another CSR goal for a company to realise, and can help to structure further CSR improvements. So, also - selectively chosen - can adherence to global and regional principles, guidelines, and directives, put forward by bodies including the United Nations, the OECD, the European Commission, and voluntary organizations. Whistle-blowing machinery established in a company may also help to identify 'trouble areas' before they become more serious. Finally, transparency -illustrated by a company's CSR, and Corporate Governance, Reports - is another cornerstone of 'best practice', as is accountability whereby top executives take responsibility not only for their corporation's policies and their oversight, but also for the well-being of the communities in which they trade or operate.

Oil and gas industries which strive towards these CSR goals will be the brands of the future!

In 2007, the Committee has been contacted over 40 times in direct or indirect relation to the Ethics and Conduct Regulation for Repsol YPF employees

At the date of this report, the Ethics Committee has the following members:

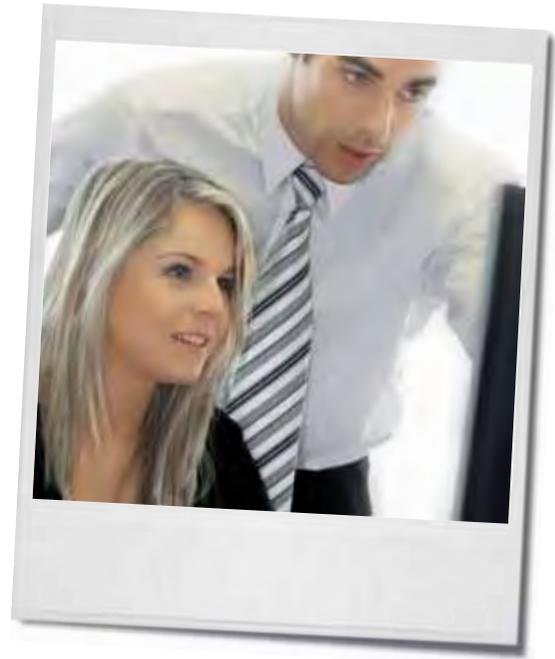
- Chairman: Mr. Jaume Giró, Executive Director of Communications and Head of the Chairman's Office
- Vice chairman: Mr. Javier Macián, Executive Director of Human Resources
- Member: Mr. Enrique Hernández, Corporate Director of Legal Services
- Member: Mr. Isidoro Mansilla, Director of Audit and Control

At the date of this report, the committee has met on five occasions.

At its meeting on 4 December 2006, the committee approved its internal distribution of responsibilities and regulations, which include a detailed description of the committee's attributes, its meetings, the rules for adopting agreements and general duties of committee members.

At the same meeting, approval was also given for the launch of software enabling any interested party to send the committee queries on the Ethics and Conduct Regulation and to report any breaches of the behaviour described therein in a totally confidential manner. This software is available on repsolnet and the corporate website.

Interested parties can also contact the committee by post and email (comisiondeetica@repsolyypf.com).



The Repsol YPF Audit and Control Committee and YPF Audit Committee have similar channels whereby any incidents related to accountability, internal accounting controls and audit that could affect the Repsol YPF Group can be reported anonymously and confidentially.

At the date of this report, the Committee has been contacted over 40 times in direct or indirect relation to the Ethics and Conduct Regulation for Repsol YPF employees.

The main areas reported are, essentially, commercial claims (30%), queries and information requests (14%), labour situations (23%) and contractual relations with suppliers and contractors (16%).

Repsol YPF, the most highly rated energy company in Europe for its information transparency

Integrity in relations

Shareholders and investors

Investor relations policy is focused on preparing, directing and coordinating the necessary initiatives to ensure transparency in reporting to the Spanish and international financial community. The correction, consistency and accuracy of the information is subject to maximum guarantees. Equal treatment in relations with shareholders is one of the principles established by the Board of Directors Regulations.

In 2007, Repsol YPF has maintained its leading position on the main selective stock exchange indexes for corporate responsibility: the Dow Jones Sustainability Indexes and FTSE4Good.

Relations with governments and societies where the company is present

Repsol YPF acts with integrity in its relations with third parties, including authorities in host countries, remaining politically neutral.

The company plays an important role in the development of economic activity and social progress of wider societies. In 2007 it paid taxes of euros 15,667 million, 75% of which were levied taxes and the rest income and other taxes.

Repsol YPF is also an active member of the Extractive Industries Transparency Initiative (EITI), supporting this initiative to promote transparency in tax payments and royalties.

Repsol YPF is considered the top energy company in Europe in terms of transparency and website contents. It is also ranked second overall among blue-chip companies in Europe, according to the prestigious Swedish financial communications firm Hallvarsson & Hallvarsson.

The company achieved the maximum rating in the general and financial information sections and has fifteen “best practices” for the criteria evaluated, including financial information, corporate responsibility, press room and front page.

For the fourth consecutive year, Repsol YPF leads the ranking of Ibx 35 company websites, scoring 88.75 points out of 100, the highest for the company since it was first ranked.

The study, published by the Financial Times, evaluates 125 characteristics which differ from year to year and are extracted from a survey of over 300 analysts, journalists and investors in Europe.

EITI, supporting transparency in tax payments and royalties

Independent Experts Committee - Question 14

Have the contents of the Extractive Industries Transparency Initiative (EITI), backed by multiple international participants, and therefore the principles, initiatives and questions included in the manual published in various languages by the aforementioned EITI, been effectively taken into account?

The EITI is a multilateral and voluntary initiative involving governments, international organizations, state and private companies, investors and NGOs, the representatives of which form its working groups.

Once the government of a country launches this initiative, the other members can join the process. Subsequently, a committee of all interested parties is set up to select an independent administrator that applies international accounting principles, and to prepare a work plan, once requirements for technical assistance, financing and support are identified.

The Extractive Industries Transparency Initiative (EITI) has come a long way in the four years since it was launched. Over 20 nations rich in resources are included among the candidate countries. Through recognition of the important and considerable contributions of all its participants, EITI is becoming the international standard of reference for accrediting transparency in the oil, gas and mining sectors.

Repsol YPF is committed to this initiative and has therefore completed the company self-evaluation form at international level.

The company also closely monitors the progress of this initiative in the countries where it operates and dedicates resources for active participation in the interest groups to support the initiative. Of these countries, Equatorial Guinea, Kazakhstan, Liberia, Mauritania, Nigeria, Peru and Sierra Leone are at the most advanced stage.

Employees

Repsol YPF is firmly committed to fairly and transparently recognising the contribution of its employees to the company's business plans. The company undertakes to avoid any discriminatory practices in its management models and to encourage diversity in all its activities. It also backs the reconciliation of professional and family life to improve quality of life for all of its personnel.

Repsol YPF understands diversity as a source of considerable competitive advantages, given that it enhances capacities and provides new perspectives in decision-making processes in the company's management models and in the way in which it takes on new social and business challenges.

Equality, diversity and non-discrimination are promoted through equal opportunities for men and women, recruitment of local personnel and persons with disabilities. This improves the company's image in society and the markets and reinforces the commitment and pride of all the people who work for it.

Repsol YPF continues to make progress in implementing measures that ensure equal opportunities throughout the organization.

Further information on human resources at Repsol YPF can be found in the section "Our people, our competitive advantage."

Trade union representation

Repsol YPF formally recognises its commitment to the right to form unions in its Policy for Human Rights, Respect for People and their Diversity, applicable worldwide.

Employees affected by collective bargaining agreements

	2004		2005		2006		2007	
	Total workforce	Collective agreement						
Spain	17,175	14,076	18,212	14,871	18,522	14,842	18,431	14,440
Argentina, Brazil and Bolivia (ABB)			12,696	6,839	13,104	6,913	13,338	6,882
Rest of Latin America (Includes T&T)	14,578	6,944	2,866	471	3,137	643	2,385	384
Rest of the world	1,584	1,159	2,135	1,196	2,168	1,508	2,546	1,651
Total	33,337	22,179	35,909	23,377	36,931	23,906	36,700	23,357

The company also has a Labour Relations Policy with guidelines in this respect. This policy recognises that relations with trade unions or other associations of workers' representatives are key to achieving a stable workforce and guarantees the right to free association for all employees, whatever their activity or country location.

Repsol YPF negotiates applicable collective bargaining agreements directly with trade unions or adheres to the conditions of the various sector-based collective bargaining agreements.

After the IV Framework Agreement was signed between Repsol YPF and the federations of the UGT and CC.OO. unions in September 2006, the collective bargaining agreements of the different Repsol YPF companies in Spain were negotiated. In 2007, new agreements for Repsol Comercial de Productos Petrolíferos, Repsol Química, Repsol Petróleo, Repsol YPF and Repsol Butano were negotiated, completed and registered in the Official State Gazette (*BOE - Boletín Oficial del Estado*); the agreement for Repsol Exploración was registered in the Madrid Official Gazette (*Boletín Oficial de la Comunidad de Madrid*) and union agreements were also signed with Repsol Lubricantes y Especialidades and Campsared.

In 2007, negotiations for a personnel restructuring plan affecting 172 workers began with the union representatives for Repsol Butano. The plan involves the closure of three factories (Alicante, Mérida and Dos Hermanas) and partial closure of a further three (María de Huerva, San Fernando and Venta de Baños). Local authorisations are expected to be obtained in the first quarter of 2008.

In Argentina the three agreements governing the labour conditions of approximately 3,900 employees from refineries, oil fields, service stations and liquefied gas activity remain in force. A new collective bargaining agreement applicable to YPF Gas was approved in 2007. The employees subject to this agreement are represented by the Federación de Sindicatos Unidos Petroleros e Hidrocarbúricos (SUPeH).

Partners and suppliers

Repsol YPF's procurement process is designed on the premises of respect and equal opportunities for all suppliers and providers, with a view to establishing mutually beneficial relationships. The objective is to improve management of social, environmental and ethical risks throughout the value chain for Repsol YPF.

The company has globally applicable Supply Management Guidelines that establish a general framework for relations with suppliers. Repsol YPF also has General Contract and Purchasing Conditions in all the countries where it is supplied. These conditions promote integrity in relations with suppliers and subcontractors, which are required to comply with the core conventions of the International Labour Organization (ILO) and prevailing environmental and safety legislation.

A single supply management system

At Repsol YPF there are various purchasing systems for managing the different businesses. A unified supply management system has therefore been developed that incorporates the information generated in qualification (approval), performance evaluation, development and any other processes relating to supply management. This system is available to all businesses and will be fully operational in 2008.

Suppliers and contractors are subject to a qualification (approval) process before they can work with Repsol YPF, for which technical, company, financial and management (quality, safety and the environment) information and documentation is required for analysis. At present there are two ways of providing this information:

- Completion of the classification questionnaire sent by Repsol YPF. Classification requirements are adapted to the particular nature of each country.
- Registration in a supplier register system managed by an external company. Specifically, Repsol YPF uses the services rendered by the Aquiles group in Spain, Argentina, Brazil, Portugal and Venezuela.

Suppliers' management is based on a single body of guidelines for the whole group, including all basic processes, and on technical instructions developed in each of the businesses. At the end of 2006 new guidelines were approved which included classification questionnaires (one for materials and another for services), the same for all businesses and adapted to each country. The process started in Spain and Argentina and questionnaires are planned for all those countries where the company is present, beginning with Peru.

Independent Experts Committee – Question 7

With regard to management of human rights by Repsol and its suppliers, why are requirements different for suppliers in Spain compared to other countries? Outside Spain breaches of the core conventions of the ILO (relating purely to labour issues) and other safety and environmental aspects (unspecified) are considered a cause for rescission of contract. However, subcontractors do not appear to be required actively to comply, as is the case for the documents signed by suppliers in Spain. How is compliance with these standards by suppliers and subcontractors verified?

The qualification process enables suppliers or contractors to work with Repsol YPF for a period of three years. Suppliers are required to complete a questionnaire and may be audited on site depending on the critical nature of their work.

Questionnaire responses are above all required to be prudent and, therefore, to date only in Spain does the questionnaire include declarations on pro-active compliance by suppliers with the aforementioned aspects. On-site audits are also carried out, occasionally with third parties, for those suppliers considered critical by the company.

In Argentina, exactly the same declarations are included in the audit questionnaire (critical suppliers) and suppliers' responses are reflected in the audit report.

Verifying compliance with the standards set is not an easy task.

Repsol YPF's critical suppliers and contractors are also subject to regular evaluations of four aspects: management, quality, safety and the environment, which indicate the actual behaviour of these companies in their activities with Repsol YPF. Poor performance in any of these areas will prompt a review of whether the supplier or contractor is able to continue working with the company.

Repsol YPF applies safety standards to contracted work and services to achieve a management framework containing key aspects for appropriate behaviour with contractors, such as contractor relations policy, contractor approval from the safety perspective, contract requirements and control and evaluation mechanisms in work carried out. Safety management, behaviour and results are evaluated at least once a year to improve and update the information available in the approval process.

Classification processes in 2007(*)

Materials supplier processes	299
Services contractor processes	1,103
Total	1,402

Unclassified status in 2007(*)

Materials suppliers	58
Services contractors	104
Total	162

(*) Suppliers managed by the Purchases and Contracts Division of Argentina and Spain

Geographical distribution

Million euros

Region (country)	Total 2007	Local 2007	%
Argentina	2,155	1,821	84.5%
Bolivia	49	46	93.8%
Brazil	144	142	98.4%
Canada	611	609	99.6%
Chile	2.3	1.4	61.3%
Cuba	3.9	0.03	0.1%
Denmark	2.4	1.2	51.9%
Algeria	338	204	60.3%
Ecuador	17	16	94.9%
Spain	2,670	1,875	70.2%
France	1.9	1.8	100%
Italy	0.8	0.5	64.5%
Libya	75	56	75.0%
Peru	162	101	62.1%
Portugal	236	177	75.1%
Trinidad and Tobago	57	54	95.0%
Venezuela	82	74	90.3%
Total	6,607.3	5,179.9	78.4%

Suppliers / contractors are rated for goods / services, criticality and a particular geographical area. The criteria used to set the rating requirement is the "criticality" of the goods or service. There are three levels (of criticality): 0, 1 and 2. Suppliers / contractors that supply level 2 (the strictest) goods / services are also subject to an audit at the premises of the supplier / contractor. In Argentina, suppliers / contractors that provide level 1 goods / services are also usually audited.

In Spain 28 audits were performed, all of services contractors. A total of 716 were carried out in Argentina, of which 218 were suppliers of materials and 498 services contractors.

According to new regulation, classification are valid for no more than three years. Suppliers can lose their classifications temporarily or permanently for failing to comply with the contract or order or any other breach of the conditions defined by Repsol YPF.

In 2007 the total amount earmarked for contracts and purchases was approximately euros 6,600 million and 78.4% of supplies were made locally.

Customers

Repsol YPF is committed to meeting customer expectations, anticipating their needs and developing products that provide the greatest value in the most efficient way.

As one of its communication channels, Repsol YPF offers access to a customer helpline from each of the product or service sections of its website. Customer service includes 24-hour information on selected products, frequently asked questions and the possibility of submitting queries or suggestions. Responses can be received by email, post or telephone as customers prefer.

Repsol YPF products are sold at over 6,500 points of sale, mainly on the Iberian Peninsula and in Latin America. The company is market leader in terms of sales at service stations and LPG in Spain and certain Latin American countries. Repsol YPF customers receive a response which is more specific, focused and of greater value due to excellence in the quality of the service, together with the company's research, development and innovation.

The company has implemented a new service station model which meets new requirements, consolidating the company's leadership in technological innovation in products and services.

Card-based customer loyalty programmes are an important aspect of Repsol YPF's marketing strategy. Spanish customers can use payment cards to obtain considerable discounts on purchases and loyalty cards to accumulate points for free products and travel.

Systems for managing reputational and ethical risks

Correctly managing corporate risk enables company management to identify, evaluate and manage risks and uncertainties in its business plans. Repsol YPF's risk management and control policy is guided fundamentally by international best practices in the area.

The company's risk map analyses the risks to which the company's businesses are exposed, classifying them into five categories:

- Market risks
- Financial risks
- Strategic and economic risks
- Operating risks
- Regulatory and compliance risks

Repsol YPF's risk management system is a continuous process, applicable throughout the organization and assumed by personnel at all levels, whereby risks are determined and respective strategies adopted.

The company defines reputational and social responsibility risks, included in the category of operating risks, as those which could damage, impair or diminish its reputation in its field of activity.

Reputational and social responsibility risks are managed in corporate areas and business units, which have to minimize the appearance of any factors that could affect the company's reputation by establishing controls and measures for such aspects as safety, the environment or relations with communities.

The Corporate Reputation Unit directs and coordinates with the organizational units involved in the management and evaluation of corporate reputational risks and values, in line with the guidelines and policies of the Corporate Reputation Committee and senior company management, to guarantee that Repsol YPF's corporate reputation strategy and model are applied.

Repsol YPF understands ethical and behaviour risks, also considered as operating risks, as those arising from breaches of ethical principles in the company's operations. Such breaches can lead to penalties, claims and litigation; a loss of image, reputation, partners, customers and suppliers; deterioration of legitimate relations with governments and authorities. These risks can also affect the company's market value and even its capacity to continue operating.

The above risks are supervised by Repsol YPF at various levels:

- Ethics Committee: manages the system for monitoring the Ethics and Conduct Regulation and respective compliance.
- Audit and Control Committee: responsible for supervising the preparation and completeness of financial information and internal audit activity; examining Ethics and Conduct Regulation projects; deciding on the investigations or measures to adopt, where appropriate, in response to communications received through the channel created for that purpose; and, finally, overseeing compliance with legislation applicable to behaviour in securities markets.
- Nomination and Compensation Committee: responsible for informing the Board of Directors on its members' compliance with the obligations contained in the articles of association and Board of Directors Regulations.
- The Strategy, Investment and Corporate Social Responsibility Committee: functions include identifying and directing corporate responsibility guidelines, objectives and policy.
- Corporate Reputation Committee: responsibilities include preparation and monitoring of human rights policy and the Corporate Responsibility Master Plan.

The challenge for Repsol YPF's governing bodies is to determine the level of uncertainty and risk that should be assumed to achieve the objectives set and, simultaneously, to generate value for society in general and concurrent stakeholders in particular.



Independent Experts Committee - Question 13

How much information is gathered on foreseeable trends or contractual and labour relations, social and safety expectations, based on the political situation in certain countries (for example Venezuela, Bolivia, Iran, Argentina, etc.) where Repsol group activities, facilities and companies are located, and the changing position of their governments regarding companies from other countries?

Exploration and production activities are subject to particular risks, certain of which are beyond the control of Repsol YPF. This sector is also subject to extensive government regulation and intervention.

A substantial percentage of the company's oil and gas reserves are located in countries outside the European Union and United States, countries that in some cases are less stable politically and economically. Reserves in developing countries and production are subject to risks including tax and royalty increases, limits on volumes of production and exportation, mandatory contract negotiations, nationalisation or privatisation of assets, changes in local government policies and schemes, changes in business practices and in customs duty, delays in payments, exchange rate restrictions, etc. Political changes can also alter the business environment in which Repsol YPF operates. Economic downturns, political instability or protests can disrupt distribution and limit sales in the markets affected by those events.

Repsol YPF has drawn up a risk map of the different types of risks, categorised as market, financial, strategic and economic (including country risks), operating (including reputational and human resources risk) and regulatory and compliance risks (tax and legal risks).

The 20-F Report filed by the company with the Securities and Exchange Commission (SEC) at the New York Stock Exchange contains more detailed information on the risks affecting the company's operations. The Annual Report and Corporate Governance Report also contain further information. These three reports are public and can be accessed through repsolypf.com



Promotion of human rights

Repsol YPF's commitment to human rights is defined by its Ethics and Conduct Regulation and by its Policy for Human Rights, Respect for People and their Diversity. Both are based on internationally recognised standards such as the principles of the United Nations Global Compact, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and the directives and lines of action established by OGP documents.

Repsol YPF aims to also extend these principles to its supply chain. All contract awardee companies worldwide, within the framework of General Purchasing and Contracting Conditions are contractually required to comply with the core conventions of the International Labour Organization (ILO) and other issues related to safety and the environment.

Non-compliance with these issues constitutes grounds for cancellation of contracts. In Spain, for suppliers considered critical and semi-critical according to the company's qualification process, Repsol YPF requests a signed statement of compliance on social rights, safety and environmental issues (relating to prevailing legislation and the ILO convention), as well as a signed declaration of corporate social responsibility (adherence to principles of the United Nations Global Compact and specific respective policies). In Argentina, these statements are incorporated into the audit surveys for critical suppliers in accordance with the new supplier management systems. The responses and findings are included in the audit report.

Over the coming years, Repsol YPF will continue to work towards improving supplier management with regard to environmental, social and ethical issues and finally to incorporate these aspects into its business model.

Repsol YPF's Corporate Responsibility Master Plan also focuses on certain key issues such as employing tools to facilitate management of human rights in operations and the incorporation of new ethical, social and environmental risks into the company's risk management systems.

Given the multidisciplinary nature of these issues which affect different stakeholders and areas of the company, the management of human rights at Repsol YPF is undertaken in a coordinated manner among different departments. The areas involved include human resource, external relations, legal services and the relevant areas of the different business units.

The management of human rights at Repsol YPF is undertaken in a coordinated manner among different departments

To gain insight into and adopt best international practices, Repsol YPF actively participates in associations such as IPIECA and ARPEL forming part of their social responsibility working groups. The most recent work published by the IPIECA human rights working group, where the company participated actively, has been the Human Rights Training Kit for the Oil and Gas Industry, available in three languages, English, French and Spanish at www.ipieca.org.

Security

It is common practice in the sector to outsource the security of facilities to specialist companies. In 2006 Repsol YPF approved its Corporate Security Policy in the framework of the company's Ethics and Conduct Regulation and in line with international initiatives such as the US/UK Voluntary Principles on Security and Human Rights and the OGP report on firearms and the use of force.

Independent Experts Committee – Question 8

How does Repsol YPF quantify the risks associated with possible human rights abuses in its areas of activity? What regular consultations are carried out with governments and, where applicable, non-governmental organizations and communities, relating to the potential impacts of security provisions on local communities? What type of training do security forces receive to prevent abuses? What internal monitoring does Repsol YPF carry out to prevent possible abuses reported? Which person/position is responsible for the management of human rights at corporate level in Repsol and each of its regional units?

Repsol YPF's risk map analyses risks related to the company's businesses. Risks are identified and classified by category, including operating risks, which comprise reputational and corporate responsibility risks: those that may cause harm or damage to the company's reputation in the field of its activity. Other categories include ethical and behaviour risks, which arise from non-compliance with ethical principles in the company's operations, including risks related to breaches of human rights and public liberties, inequality, corruption or fraud.

The Board of Directors and Audit and Control Committee of Repsol YPF approve risk criteria relating to ethical and behaviour risks.

The Executive Committee and heads of the different corporate and business areas of the company are responsible for managing ethical and behaviour risks, including those related to human rights.

Given the multidisciplinary nature of the issues, which affect different areas of the company and stakeholders, Repsol YPF manages human rights through coordination among the different departments. The areas most involved in the management of human rights are human resources (which has a specific corporate security department to manage company security issues), external relations, legal services, and the relevant areas of the business units.

In 2006, Repsol YPF prepared a Corporate Security Policy which makes reference to international initiatives such as the US/UK Voluntary Principles on Security and Human Rights and the OGP report on firearms and the use of force.

As established by the Corporate Security Policy, which aims to protect individuals and the company's installations, Repsol YPF requires that suppliers of installation protection services complete training courses. These courses include sessions on human rights and the use of firearms, as well as planning of control and supervisory activities to prevent abuses. As energy resources are a strategic asset for certain countries, the government requires that they are protected by military forces. These forces also receive training on human rights issues.

Stakeholders also have access to various channels through which it is possible to report possible human rights abuses by the company and its employees. The Ethics Committee manages the monitoring and compliance system for Repsol YPF's Ethics and Conduct Regulation. Stakeholders may contact the Ethics Committee (comisiondeetica@repsolyypf.com) confidentially to report possible human rights abuses. The "Repsol YPF listens to you" tool is also available on the company's website, which compiles comments on the company's social and environmental performance.

Were the Ethics Committee informed of any situations of alleged human rights abuses, it would determine the action to be taken to investigate the alleged abuse and, where applicable, report breaches of the Ethics and Conduct Regulation to the corresponding internal units. The Committee would also decide which units should take part in the investigation, including internal audit, human resources and legal issues, amongst others.



+ information

Board of Director's Regulations: repsolyypf.com

The International Petroleum Industry Environment Conservation (IPIECA): www.ipieca.org

Regional Association of Oil and Natural Gas Companies in Latin America and the Caribbean (ARPEL): www.arpel.org

The Extractive Industries Transparency Initiatives (EITI): www.eitransparency.org

Hallvarsson & Hallvarsson 2007 Webranking: www.hallvarsson.se/en

Dialogue and commitment to the community

For Repsol YPF, community relations represent a strategic area of work, which contributes to long-term success and the development of the communities in which the company operates

Initiatives planned	2007 progress	2008 objectives
Creation of a tool to identify social risks in regions in which Repsol YPF operates.	Analysis of the environment, trends and benchmarking performed. Repsol YPF diagnosis carried out.	Design of a global strategy to manage reputational risks.
Elaboration of a corporate policy for relations with the community and indigenous communities.	Drafts prepared and principal stakeholders consulted.	Approval of policies and their incorporation into the company's internal regulation system.
Elaboration of an annual community action plan.	Information gathered to prepare the 2008 Corporate and Country plans within the the framework of the Commitment to the Community Programme.	Creation of an annual corporate and country-based action plans

Repsol YPF's outlook and goals

Repsol YPF's business projects require long-term planning. Consequently, social acceptance of the company and its projects is essential to achieve the objective of sustained growth.

Social commitment activities require adequate and coordinated analysis, actions and communication to determine the company's objectives and activities in relation to communities and to generate trust in its relations.

Given their nature, social commitment activities go beyond the competencies of a single department, and require dialogue and a joint effort by different functions of the company. Projects in collaboration with NGOs, communities, authorities and other local associations within general frameworks and alliances are also encouraged.

Under these premises, within the framework of the 2007-2009 Corporate Responsibility Master Plan, the 2007-2009 Commitment to the Community Plan provides a global focus to Repsol YPF's activity in the community.

Social trust, a crucial asset for Repsol YPF

In recent years, consideration of the role of companies in society has become firmly incorporated into the social, business and political agenda.

Smart companies have always grasped the concept: results improve the more that companies are capable of establishing trusting relationships with their stakeholders. The term social trust was first developed in the political sector and links general trust with better results for political and social institutions. The business sector now also faces the challenge of creating a trusting environment, which constitutes an indispensable asset for modern companies to succeed.

Companies are subject to formal obligations established by laws and regulations, and are also increasingly expected to comply with informal, and often unwritten, commitments and expectations. These informal commitments and expectations decisively determine the level of social trust in companies and cover issues such as the business' contribution to well-being and solutions to environmental or social problems. However, the management of these issues presents specific difficulties: there is no single solution, the issues are not limited and change over time. Growing unwritten social demands force companies to be flexible and aware of what is happening in their surroundings. It is no longer sufficient to simply follow the course of legislation.

Of particular note in the Edelman Trust Barometer, published in January 2008, is that trust levels in companies exceed those of governments and the media. This is because the role that companies are assuming as part of the social structure (a role that is recognised by community representatives), presenting an opportunity for the business community to lead on key issues in today's society.

Although indispensable for all companies, social trust is of vital importance in the energy sector. Distrust may result in adverse political decisions, paralysis of significant projects or the loss of customers in competitive markets. Public perception of how companies deal with global problems, such as climate change, the integration of immigrants and public health, is an increasingly essential factor from a strictly business point of view.

To foster a trusting environment, at Repsol YPF we try to put up antennae to keep abreast of expectations and help us identify informal obligations that apply to a major company such as Repsol YPF, which aims to be admired for its modern, efficient and responsible management model.

We are aware that successful companies are those capable of dealing with social concerns. We are also aware that, in search of a common objective, our efforts should go hand in hand with those of other social players. In this context, a fundamental component of our Corporate Responsibility Master Plan is to boost and extend our already numerous collaboration activities with NGOs and other organizations and institutions. We will continue to deepen our efforts to fulfil, as best we know how, our role as a company committed to society.

Jaume Giró

Executive Director of Communications and Head of the Chairman's Office, Repsol YPF

Corporate social responsibility and local communities

One of the greatest challenges faced by companies operating in the oil industry is appropriate management of relations with communities in the regions where they are present.

Activities carried out by these types of companies need to meet certain standards on a wide range of issues to have a positive effect at local level, including: respect for fundamental rights, especially those covered by the United Nations Declaration of Rights of Indigenous Peoples; the creation of skilled labour opportunities for young people and adults in the region; and interaction with small and medium-sized local companies.

An international study carried out in November 2007 by the consultancy company McKinsey provides indications as to how companies plan to tackle these issues affecting local communities, as well as other issues that will be on the public agenda in the coming years. The results of the study show that for business executives the integration of Corporate Social Responsibility (CSR) into corporate strategy is a more appropriate and effective approach to dealing with these issues compared to other more intense initiatives used to date, such as philanthropy, public relations and lobbying regulators and governments.

This study also found that CSR is an ever greater priority for companies, and that the differential between companies that have not yet incorporated CSR into their business strategy and those that already have has fallen from 15% to 6% in the last two years. This trend would confirm that the foundations are being laid in the oil and gas industry to improve dialogue and establish a constructive relationship between companies and local communities.

The Commitment to the Community Programme equips the company's professionals with a tool to develop the community initiatives in accordance with the company's strategic business objectives and the actual needs of communities.

The programme is the outcome of a long internal analysis which culminated in its presentation at the First Communities Relations Workshop held in Madrid in April 2007. This event, which outlined and gave impetus to the different activities of the Programme, marks a new global strategic focus in Repsol YPF's community relations.

The programme also heralds the beginning of an important process of coordination among the different functions of the organization, boosting Repsol YPF's capacity for social action.

The Commitment to the Community Programme develops a new threefold strategic approach:

- A. to mitigate and offset impacts on the facility's direct area of influence,
- B. to promote sustainable development in areas indirectly affected by installations,
- C. to promote social programmes of general interest.

The new model for action introduced by the programme is as follows: understand, organise, act, communicate, measure and evaluate.

Independent Experts Committee – Question 12

In spite of the reference to the Commitment to the Community Programme, it has not been possible to identify information on specific initiatives planned within the framework of this programme. This Committee recommends that this shortcoming be addressed in the 2007 Corporate Responsibility Report. What measures have been adopted by Repsol YPF's management team to identify and improve those aspects within its control to guarantee a balanced contribution to the economic development of the regions where the company operates in emerging economies? Which mechanisms has Repsol YPF implemented to deal constructively with disputes related to its management brought to light by social organizations, media or other organizations?

The objective of the Commitment to the Community Programme is to focus its initiatives in the community on those areas/regions where they are most needed, ensuring that business objectives are in line with the needs of local communities.

The following lines of action have been established to achieve this goal:

- *Risk evaluation: provide the organization with a tool to assess risks related to the management of relations with the community.*
- *Organization for action: develop a coordinated and efficient functional action model.*
 1. *Define responsibilities and develop organizational and coordination capacities to boost the efficiency of initiatives.*
 2. *Use mechanisms to identify significant issues and measure the impact of social contributions. Historically, Repsol YPF has used indicators such as the number of beneficiaries and perception studies. To improve its capacities in this area, in 2007 the company commenced a process of adaptation to the London Benchmarking Group (LBG) methodology, a new model to measure the impact and contribution of companies to society, which will help Repsol YPF to reinforce the procedures currently in force.*
- *Action framework: complete the roll-out of policies and procedures that support and adequately focus the company's initiatives in this field.*
- *Joint action plans: design coordinated action plans for the company regarding its relations with the community.*

With regards to mechanisms implemented by Repsol YPF to constructively resolve potential disputes, the company has formal communication channels for local communities and other stakeholders through an external e-mail address (Repsol YPF listens to you) and other specific addresses where it is possible to send complaints, queries and comments. These are subsequently investigated by the company and the appropriate measures taken.

In 2007, as part of the Commitment to the Community Programme the company considered the best way to approach the environments in which it operates. The first Community Relations Workshop was held that year attended by external stakeholders, permitting the company to gain first-hand insight into their concerns and possible alternatives. The company has also prepared draft policies for relations with the community and indigenous communities. This process includes a consultation stage with influential organizations in this field to gather comments and concerns to bring policies into line with the real needs of local communities.

Promoting the Commitment to the Community Programme: First Community Relations Workshop

In April 2007 the first Community Relations Workshop held in Madrid brought together all company professionals working in this field throughout the world. Over 50 representatives from 15 countries took part from divisions including Communication, Legal Affairs, Exploration and Production, Refining and Marketing, proof that the management of community relationships is multidisciplinary at Repsol YPF.

The main objective of the workshop was to present the 2007-2009 Corporate Responsibility Master Plan and, more specifically, the 2007-2009 Commitment to the Community Programme, which establishes general guidelines for the company's relations with different stakeholders. The workshop was a platform to share experiences and best practices for circulation throughout the company. The event also included the active participation of experts from renowned institutions, such as the Living Earth Foundation, IntermonOxfam and Fundación Empresa y Sociedad.

Over two days Repsol YPF professionals had the opportunity to discuss and work together on specific issues. In particular, working groups were created to outline and give impetus to the different activities of the Commitment to the Community Programme in order to improve coherence between policies and performance.

The activities of the working groups focused on identifying strengths and weaknesses in managing relations with communities and identifying the critical aspects to consider in the development and implementation of the Programme. For each level of action of the Commitment to the Community Programme (understand, organise, act, communicate) the situation; outline of target situation; identification of tasks to be performed; and determination of key issues to consider during implementation were assessed.

Understand the environment: a new way to approach community relations

In line with the company's strategic approach, the first step in the planning and development of action plans in communities consists of obtaining information on the socio-economic and cultural characteristics of the regions in which Repsol YPF operates.

Environmental and social studies, consultations with principal stakeholders and systems to identify and analyse risks are some of the tools used by the company to gain an insight into its area of operation.

Within the framework of the 2007-2009 Commitment to the Community Programme, Repsol YPF is developing a tool to define a social risk map in areas where it operates, which would subsequently be incorporated into the company's global risk management system.

2007 – 2009 Commitment to the Community Programme: an action framework			
	 <p>TYPE A Mitigate and offset impacts on the facility's direct area of influence</p>	 <p>TYPE B Promote sustainable development in areas indirectly influenced by installations</p>	 <p>TYPE C Promote social programmes of general interest</p>
Measure and evaluate	Strengthen commitment and manage social risks	Focus on relations with the community	Boost the company's recognition in society
Communicate	Communication strategy to highlight, disclose and obtain international recognition of the company's commitment to communities		
	Communication plans for specific activities and representatives	Communication plans related to the contribution to development goals such as the Millennium Development Goals	Country-specific communication plans and general commitment to the community
Act	Action framework: establish action plans at country and corporate level in line with company directives		
	Prepare a 2008 annual corporate and country-based commitment to the community plan		
Organise	Organisation model: develop a functional action framework that permits coordinated and efficient action		
	<ul style="list-style-type: none"> • Design specific competencies and capacities • Implement a collaborative work and reporting platform. Develop protocols to measure social expense and impacts of programmes using the London Benchmarking Group (LBG) methodology • Specific training programs 		
Understand	Social risks map	Analysis of social conditions of the environment	Design of key messages
	System which enables the company to know and foresee operational risks in this area	<ul style="list-style-type: none"> • Elaborate the relations with the community and indigenous communities policy • Define action protocols and protocols to be applied in partnerships. 	

In 2007, the first two stages of the project were completed, including the analysis of trends and benchmarking, as well as the analysis of Repsol YPF's situation.

The design and implementation of the company's new social risk management strategy is planned for 2008.

Towards a community relations policy

Repsol YPF considers it necessary to set guidelines for behaviour and give its professionals management and action models that ensure stable and co-operative relations between the company and local populations.

In 2007, within the framework of the Commitment to the Community Programme, Repsol YPF initiated a process to establish a community relations policy and a specific policy for relations with indigenous communities.

The diversity of structures in each country and varied distribution of responsibilities in Repsol YPF make it difficult to define a common policy in this respect. Nevertheless, it should be noted that criteria had already been established in the different areas of activity of the company.

The new Repsol YPF policies propose a corporate standard for relations with communities, which provide the company with its own individual and differentiated identity thanks to directives that promote dialogue with stakeholders, collaboration with institutions and promotion of the development of the communities in which it operates.

The mainstay of this process is internal and external participation, which enables efficient and flexible policies to be designed to incorporate community relations into the company's management models and decision-making processes.

At the end of 2007 an internal working group was established within the Corporate Reputation Committee, which prepared the first draft policies. In 2008, the company commenced the process of consultation with non-governmental organizations, renowned experts in these areas, and company management responsible for global coordination of standards. The company has made the creation of a policy for indigenous community relations an objective for the second half of 2008.

Directing activity: annual action plans

As planned in the Commitment to the Community Programme, in 2007 information was gathered for the corporate and country-based commitment to the community action plans for 2008. These corporate and country-based plans enable Repsol YPF to prioritise the allocation of resources based on preventative risk and business objectives.

The objective is to create a common action framework at corporate and country level which permits activities to be aligned and prioritised based on the company's strategic objectives. The design of action plans considers key issues such as risks identified in the different areas of activity of the company, corporate programme development goals, local initiatives underway and available budgets.

The new policy for indigenous community relations

Repsol YPF bases its approach to indigenous community relations on knowledge of the customs and traditions of local populations and sensitivity towards their unique features, as well as respect for their rights.

Clearly defined action protocols relating to indigenous communities serve to reduce the risks associated with operations and provide opportunities to lay foundations for the social license to operate. These action standards also provide opportunities to access capital, land and new mining fields, amongst others.

International standards such as Performance Standard 7 of the International Finance Corporation, Operating Policy on Indigenous Peoples of the Inter-American Development Bank (IDB), Convention No. 169 of the International Labour Organization (ILO) and publications from sector organizations such as IPIECA have been taken into consideration for the preparation of this new policy.



The implementation of the annual action plans is supported by a new global reporting platform for community development activities. This platform, which forms the basis of the Commitment to the Community Programme, is a common support tool for reporting and monitoring all planned initiatives.

The company participates with other companies in Spain to establish a system to measure social investment and the social impacts of programmes, based on the methodology developed by the London Benchmarking Group (LBG). The application of this methodology will provide insight into how much the company invests in commitment to the community initiatives and enable the results to be evaluated and the appropriate allocation of economic resources.

This methodology outlines the way in which the company should report its contributions to the community, whether in cash, in kind or time dedicated by its employees. Distinctions are made between:

- Charitable gifts: as a response to needs and requests from charities and social interest organizations.
- Community investment: long-term strategic commitment to support initiatives that combine Repsol YPF's interests with community needs.
- Commercial initiatives in the community: initiatives related to the company's business.
- Mandatory contributions: initiatives that benefit the communities where the company operates due to legal, statutory and contractual requirements.



Healthy housing in Bolivia

Our projects, our commitments

Repsol YPF's social commitment initiatives are designed as lasting responses to needs identified in communities to endow these communities with the capacity for self-development.

In 2007, Repsol YPF and its foundations contributed euros 32.3 million to social investment, a 27% increase compared to the amount invested in 2006. In total, over 800 social and cultural programmes were carried out during the year.

Education and training

Repsol YPF earmarks a significant amount of its social investments for educational projects, considering these issues as the basis and the most efficient tool for achieving sustainable development.

These education programmes are mainly for primary and secondary school children and young people through university and postgraduate programmes.

Community development

In this area the primary objective is to generate capacity for development, which constitutes one of the main purposes of the company's social commitment activities.

Repsol YPF selects projects that benefit the highest number of people and which may be sustained over time. The company also contributes to training programmes to incorporate the local population into the different areas of the business.

Healthcare

Repsol YPF participates in projects and programmes that help improve healthcare conditions and the quality of life in communities where the company operates.

The "Healthy Housing" programme aims to contribute to the quality of life of the inhabitants of the five communities surrounding Campo Margarita (Bolivia). The programme is designed to control Chagas, an endemic disease in the region, and other diseases such as yellow fever and malaria.

The programme was initially implemented as an experiment in 2003 with the construction of 20 homes in the Guaraní Community of Zapaterambía, Zone III of the Itika Guasu CBO (Community-based organization). As a result of the programme's excellent results, the Association of Guaraní People requested that Repsol YPF extend the project to other communities in Zone III. In 2005, Repsol YPF agreed to build a further 180 homes in collaboration with the Entre Rios Municipality and the Pro Habitat Foundation. So far 109 homes have been built and a further 23 are under construction. The homes have a total built surface area of 60 m². Beneficiaries are also taught about Chagas, hygiene, cleaning and taking care of their homes. Participating in the construction of the homes also represents a new type of income for the families living in the towns.

The beneficiaries of this project are 180 families of 5 Guaraní Communities in Itika Guasu Zone III with a population of 850 inhabitants.

Houses are painted with Inesfly, which repels insects that transmit diseases such as Chagas, dengue and malaria. The inventor of the paint, which is not toxic to humans, is Pilar Mateo, a Spanish scientist from Valencia, who has called it intelligent paint.

Promoting community leadership in Trinidad and Tobago

Community Leadership Development Project

Community Leadership Development Project (CLDP)

In summer 2007, 20 community leaders and members of non-governmental organizations from the Mayaro/Guayaguayare region in Trinidad and Tobago received certificates for completing the Community Leadership Development Project (CLDP) sponsored by Repsol E&P Trinidad and Tobago.

The award ceremony was held in the Yara Auditorium of the Arthur Lok Jack Graduate School of Business, a strategic partner of Repsol YPF in this programme.

Repsol YPF's Corporate Responsibility Programme in Trinidad and Tobago reflects the global-level social commitment of the organization. In Trinidad and Tobago, the company adopts a pro-active approach to implement projects based on strategic alliances with the organizations that share the same commitment to sustainable development. The Arthur Lok Jack Graduate School of Business is an excellent example of this strategic relationship.

Repsol YPF's sponsorship of the CLDP programme is the result of the findings of the 2006 Development and Evaluation of the Mayaro/Guayaguayare Community Report. This report, commissioned by Repsol YPF from Arthur Lok Jack GSB, provided a model for community development within the framework of Corporate Responsibility. The report established an approach through which Repsol YPF could demonstrate its commitment and

Community Leadership Development Project

Community Leadership Development Project (CLDP)

contribute to sustainable economic development in the Mayaro/Guayaguayare region.

The report noted a "pessimistic attitude in the community" and the need to "promote and strengthen a vibrant spirit in the community so that its members respect their diversity while working together for the good of everyone." In order to achieve this, Arthur Lok Jack GSB proposed that the company leaders participate in a Community Leadership Development Programme aimed at "instilling in its participants qualities such as leadership, governance and the team-working skills necessary to undertake and manage activities in the community."

The programme's main goal is to create a team of community leaders that share a common vision of sustainable development in the region and that can encourage the community and stakeholders to take collective action.

In particular, the Community Leadership Programme establishes the following objectives for its participants:

- Understand the basic concepts of leadership, project management and sustainable community development.
- Apply these principles and practices to select, plan and undertake projects in the community with a single vision, shared leadership and mutual responsibility.

Community Leadership Development Project

Community Leadership Development Project (CLDP)

Participants had to carry out a project to obtain the course completion certificate. "Armed" with their recently acquired abilities, the candidates were divided into four groups, each assigned a project.

On completion, each group presented their project to a panel of judges including Olympic gold medallist Hasley Crawford, head of Community Relations of the National Gas company of Trinidad and Tobago; Mario Singh, Community Relations Advisor for British Gas in Trinidad and Tobago; and Pedro Ribeiro, Head of Operations for Repsol E&P Trinidad and Tobago.

The "Crop Alert" Project, centred on the design and establishment of a pool of tractors for the residents of Union Food Crop, received the award for the best project.

The Minister for Community Development, Cultural and Gender Affairs of Trinidad and Tobago, who presided over the award ceremony, expressed his gratitude to Repsol and Arthur Lok GSB for the commitment shown and their contribution to the development of leadership in communities.



Social integration

Repsol YPF participates in social integration projects aimed at underprivileged groups and those at risk of social exclusion, as well as other programmes to improve the well-being of individuals and social groups.

Environment

Repsol YPF's projects in this area aim to raise awareness of the importance of safeguarding the environment and promote biodiversity protection.

Art and culture

Repsol YPF supports projects related to the promotion of culture, collaborating with museums, exhibitions and town councils in a variety of disciplines, making a special effort to promote local culture and artistic wealth.

Independent Experts Committee - Question 9

According to the annual notes, Repsol YPF and its foundations donated euros 25.4 million to 763 social and cultural programmes focused on healthcare, training, social projects, education, art and culture. Despite being one of the most significant areas affected by company operations the environment is not mentioned. What criteria are applied to approve these projects? Are the priorities of the local populations taken into consideration? What percentage of the above-mentioned amount is applied to support environmental protection programmes?

Repsol YPF earmarked approximately euros 200 million for improving the environmental impact of its installations. Projects have been carried out within the framework of the 2007-2009 Commitment to the Community Programme, to raise awareness of environmental issues and to protect the environment in the communities in which the company operates.

This programme provides all company professionals with a tool to develop actions in accordance with strategic business objectives and the real needs of the communities in which Repsol YPF operates.

Repsol YPF's social commitment initiatives are designed as lasting responses to needs identified in communities to endow these communities with the capacity for self-development.

Projects are planned taking into consideration the needs of the communities affected. Consequently, the company consults renowned organizations and associations in the region and, whenever possible, organises meetings and/or consultations with the communities affected and their representatives to prioritise the needs of the local population. Meetings are also held to monitor the progress of projects.

In 2007 Repsol YPF and its foundations donated euros 32 million to promoting social and cultural programmes, of which approximately euros 1.5 million, equivalent to 5% of the total, was earmarked for environmental awareness and protection projects.

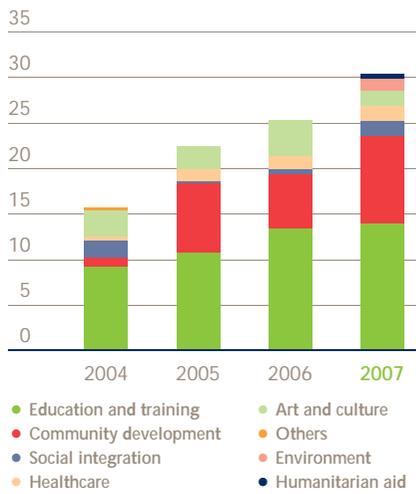


+ information

Corporate Responsibility: corporateresponsibility.repsolypf.com
 Social commitment: socialcommitment.repsolypf.com
 Social programmes: socialprogrammes.repsolypf.com

Investments in social and cultural programmes

Million euros



Investment in social and cultural programmes

Thousands euros

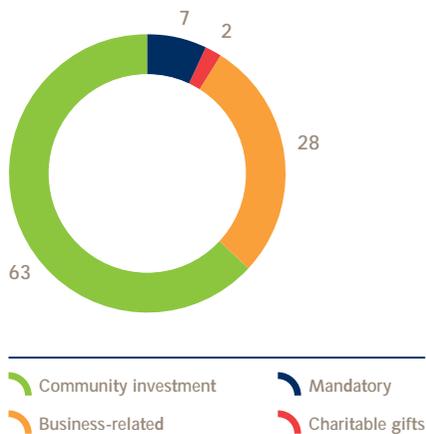
	2004	2005	2006	2007
Spain ⁽¹⁾	9,714	10,856	12,806	13,308
Argentina, Brazil and Bolivia	2,847	7,931	8,278	14,137
Rest of Latin America	2,190	3,590	3,569	3,588
Rest of world	868	295	801	1,270
Total	16,333	22,671	25,455	32,302

% of results before tax: 2004: 0.4% ⁽²⁾, 2005: 0.41% ⁽²⁾, 2006: 0.47%, 2007: 0.58%

(1) ISE's contribution of euros 7.6 million is noteworthy. Students in the regions where the company operates benefited from this contribution
 (2) Calculated based on profit before tax and investee companies

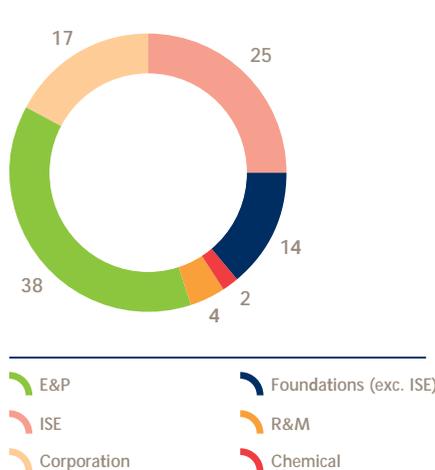
2007 investment types of contribution

Percentage



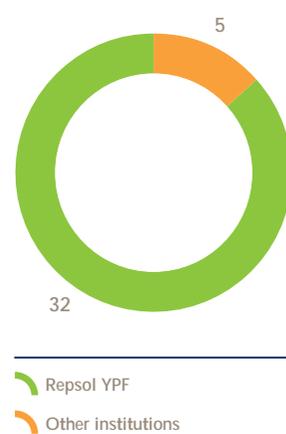
2007 investment by business unit

Percentage



2007 investment leverage

Million euros



Our people, our competitive advantage

Behind an excellent company there is always a talented team of professionals

Initiatives planned	2007 progress	2008 objectives
Promote processes and tools for professional development and merit-based recognition.	<p>Application of Management by Commitments in 2006 and 2007 analysed.</p> <p>Succession and high potentials planning.</p> <p>Study of corporate and unit requirements.</p> <p>Plan of Action for Exploration & Production developed.</p>	<p>Development and implementation of a global action plan and analysis of results.</p> <p>Development of talent identification processes by areas.</p> <p>Integration of training needs into the MxC. Implementation of new training programmes.</p> <p>Respond to E&P growth plans.</p>
Establish corporate protocol to incorporate vulnerable and local personnel into Repsol YPF in those countries in which the company operates.	<p>Detailed analysis of job positions to identify adequate profiles in collaboration with FUNDOSA.</p> <p>Implementation of the INSERTA programme with the Fundación ONCE.</p>	<p>Continue to carry out activities to boost diversity and increase the number of people with disabilities incorporated into the staff.</p>
Establish a diversity, work-life balance and integration observatory in Repsol YPF.	<p>Diversity and Balance Committee formed by all Executive Divisions .</p> <p>Work Committee created to boost the integration of people with disabilities.</p> <p>Internal communication strengthened through a message from the chairman, electronic newsletters, Conecta magazine and intranet. External communication through financial press.</p>	<p>Develop initiatives and improvements in the fields of diversity and work-life balance.</p> <p>Encourage communication between employees and aware all area heads.</p> <p>Promote external communication of company work-life balance and integration actions.</p>
Definition of Repsol YPF's commitment to the measurement and annual reporting of employee job satisfaction.	<p>Presentation to employees of the results of the climate study. Work sessions to analyse results and identify areas of improvement.</p> <p>Design of an action plan focusing on the areas of improvement identified.</p> <p>Inclusion of new indicators in the 2007 survey.</p>	<p>Implement the action plan designed. Report results of the survey at all levels of the hierarchy.</p> <p>Develop a Scorecard with diversity indicators.</p>

Awards and distinctions for human resources management

Premio Carlos Pellegrini

The Argentinian Industrial Union presented this award to Repsol YPF in recognition of its human resources management over the last 10 years. This award acknowledges the Group's work in this area, and the company has received this distinction in other occasions.

Meta4

One of the world's main suppliers of solutions for human capital management selected Repsol YPF for special mention in tribute to their innovation capacity in the field of human resources.



Repsol YPF's outlook and goals

It is of paramount importance to Repsol YPF to ensure that its personnel hold the positions best suited to their profiles and have access to the necessary opportunities for their professional development. Consequently, when it comes to resources, people can never be compared with financial or material resources. Repsol YPF considers its staff as the most valuable asset and is therefore committed to excellence personnel management, in which the dedication of the professionals is based on a relationship of trust, allowing them to develop their talents in an equal opportunity environment.

Our people

Repsol YPF has employees in over thirty countries, approximately 80% of whom are in Spain and Argentina.

By December 31, 2007, Repsol YPF's staff comprised 36,700 employees, a net reduction of 231 employees compared to 2006. By business area, 11% of personnel works in Exploration and Production; 6% in Gas and Power; 53% in Refining and Marketing; and 9% in Chemicals. Corporate and other functions represent 14% of employees.

Approximately 88% of Repsol YPF employees are working on permanent contracts.

Workforce by region

	<i>Number of employees</i>			
	2004	2005	2006	2007
Spain	17,175	18,212	18,522	18,431
Latin America	14,578	15,562	16,241	15,723
Rest of the world	1,584	2,135	2,168	2,546
Total	33,337	35,909	36,931	36,700

Distribution of workforce by gender and professional category

	2005		2006		2007	
	Men	Women	Men	Women	Men	Women
Managers	281	21	284	24	292	25
Technical managers	1,611	261	1,840	331	2,023	385
Technicians	10,777	2,780	11,474	3,151	11,563	3,349
Admin. staff	926	1,642	910	1,599	884	1,426
Operators	13,828	3,782	13,273	4,045	12,825	3,926
Total	27,423	8,486	27,781	9,150	27,588	9,112
% female / workforce		24		25		25

Distribution of workforce by type of contract and geographical location

	2005		2006		2007	
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
Spain	16,135	2,077	16,644	1,878	16,899	1,532
Argentina, Brazil, Bolivia (ABB)	10,725	1,972	11,046	2,058	10,983	2,355
Rest of Latin America	2,679	186	2,993	144	2,270	115
Rest of the world	1,998	137	2,042	126	2,404	142
Total	31,537	4,372	32,725	4,206	32,556	4,144

Rate of voluntary turnover

	2004	2005	2006	2007
Total resignations. Average accumulated workforce (%)	2.7	2.27	2.18	2.83

Resignation: Permanent staff / Average accumulated workforce

Voluntary turnover by geographical location

	Spain	ABB ⁽²⁾	Rest of latin america	Rest of the world
Rotation in absolute terms ⁽¹⁾	1,398	1,332	954	582
Rate of rotation	7.41%	10.00%	30.63%	25.62%

⁽¹⁾ Resignations Permanent staff / Average accumulated workforce

⁽²⁾ ABB: Argentina, Brazil and Bolivia

An organization committed to people

People are a critical asset for the future of the Group and the necessary basis for achieving our strategic objectives of growth and profitability. We want Repsol YPF to become the employer of choice, capable of attracting and retaining the best talent. We aim to reinforce the appeal of Repsol YPF in two areas:

In the strictly professional sphere, we must ensure that we generate development opportunities adjusted to the specific needs of each employee.

In personal terms, we must be capable of integrating the company in the lives of all our employees.

In recent years we have worked as a team, using different tools to make progress with respect to both of these priorities. In 2005 we launched the "Management by Commitments" (MxC) programme. MxC remains an ongoing process and, thanks to the feedback received, we have been able to adapt the system to better suit our company's requirements. The People Review, launched for the first time in 2006, is allowing a greater understanding of the Group individuals. During 2007 we held 44 sessions and reviewed over 2,500 people. We are also promoting a new manager profile in Repsol YPF, one more adapted to the new challenges faced by the Group. It is essential to establish a global and international team, formed by personnel who have experience in various businesses, languages and who are diverse and agents of change.

The Diversity Committee, led by the Downstream Executive Division, was created in September 2007. One of the key lines of this Committee's work is to favour a better work-life balance of employees' professional and personal lives. In this regard, we have already launched various initiatives to ensure that both managers and collaborators embrace a new, more flexible way of working which focuses on results instead of the number of hours worked. We are also working to extend best practices to other countries, introducing, for example, shorter working hours on Fridays in Argentina. Lastly, and in response to growing demand, we have recently launched a pilot homeworking programme. We think that all these measures and many others currently under development will enable us to improve the balance between our employees' personal and professional lives.

Despite the aforementioned measures, we still have to face many significant challenges. It is essential that all these changes in our way of working becomes second nature to all of our employees. With our combined efforts as a company we will ensure that Repsol YPF is considered the employer's first choice and is capable of accommodating aspirations as diverse as each one of the more than 36,000 employees who form this company.

Patricia Mantel
Corporate Director of Management Development, Repsol YPF

Talent management

The construction of a capable and committed human organization has acquired singular importance in recent years. In many cases it has been defined as the real competitive advantage, which seems particularly true for the oil and gas industry during these critical times.

In this context, what is known as talent management - the capacity to attract, develop and retain the most talented/qualified people - acquires major relevance.

This talent management, which should be carried out throughout the organization and at all levels, produces two types of complementary results.

Firstly, ensuring that company personnel hold positions best suited to their knowledge and abilities boosts competitiveness, builds the leadership required to provide continuity to the organization and helps increase the company's value.

Secondly, effective talent management fulfils the company's most immediate social responsibility, which is toward its own employees and their families. Material needs are satisfied but also, and fundamentally, those for personal and professional development, ensuring that employees feel part of a worthy endeavour.

Among key aspects of good talent management is the capacity to offer the best professional positions that represent real challenges and learning opportunities, acquainting them with the diversity of the global environment in which companies operate. Another important aspect is the developing a leadership style which creates an atmosphere of trust, promotes the development of a suitable work-life balance and encourages and guarantees a corporate performance which allows its members to feel proud of the contribution they make to society.

Like a virtuous circle, the achievement of results, the development - in the widest sense - of company personnel, customer satisfaction and meeting the needs of the States and communities in which the company operates represents an outcome which is not only possible but essential for organizations to survive in the current context.

Direct and indirect jobs created

Business units	2005		2006		2007	
	Employees	Supervised workers	Employees	Supervised workers	Employees	Supervised workers
Exploration and Production	3,018	14,380	3,661	15,193	4,138	16,360
Refining and Marketing	20,075	8,932	20,421	10,409	19,286	10,539
Chemicals	3,208	1,774	3,213	2,275	3,258	2,223
LPG	2,792	3,008	2,580	3,330	2,453	3,119
Gas and Power	2,192	182	2,153	89	2,256	89
Other	4,624	2,568	4,903	2,752	5,310	5,044
Total	35,909	30,844	36,931	34,047	36,700	37,373

Employee: Worker recognised as an employee of the organization by national laws or practices (own personnel).

Supervised worker: Professional who works in the business area for or in the name of the organization but not recognised as an employee under national laws or practices (contractor personnel).

The Policy for Human Rights, Respect for People and Diversity guides the management of company personnel. All Repsol YPF human resources policies are applied globally and set common behaviour criteria in all the countries in which the company is present.

A management model that rewards merit

Repsol YPF is firmly committed to fair and transparent recognition of its employees' efforts toward achieving the company's business plans. Attracting, motivating and retaining the best professionals, in addition to offering an attractive pay structure, are key to company strategy.

One of the most significant challenges the human resources area faces is creating opportunities and incentives to align employee remuneration with their contribution to company performance.

Repsol YPF's remuneration policies are based on two key factors. Firstly, to offer competitive salaries which are appropriate to specific positions and categories and meet the requirements of a leading company and employer of choice amongst the world's top professionals. Secondly, the remuneration of a large number of the company's employees is linked to their performance within the framework of the management by commitments system.

In recent years the company has allocated time and resources to seeking effective solutions to linking the incentives set for variable remuneration of its employees to its corporate responsibility commitments. It is important to remember that the achievement of specific sustainability targets, such as those for reducing greenhouse gas emissions or implementation of biodiversity or safety action plans, has an impact on the variable remuneration of the different business units, as a part of the company's general planning processes.

The pay structures applied to Repsol YPF employees are described below. Remuneration components are as follows:

- a) *Fixed remuneration*: based on market indicators, the employee's contribution and the level to which they have developed their skills and potential. Authorisation processes for annual salary increases are linked to planning cycles and designed to identify and reward those who achieve the best results.
- b) *Variable short-term remuneration*: this assesses the employee's contribution on an annual basis, both in terms of results and the method by which they were attained. It is established as a percentage of fixed remuneration.
- c) *Variable long-term remuneration*: this rewards the employee's contribution towards the achievement of the company's strategic objectives and is determined over a period of several years. It applies to the Board of Directors and, selectively, to other groups, to motivate sustained value creation.
- d) *Social benefits*: these comprise a range of monetary benefits and/or in kind which complete the remuneration package, bringing it into line with the best practices in the relevant market. Social benefits include medical insurance, pension plans, life insurance, food vouchers and/or subsidised canteen meals, parking, preferential loans, etc.

In general terms, no kind of remuneration based on technical, financial or accounting indicators may be paid to the personnel directly responsible for its preparation. Consequently, personnel from the management areas involved do not receive any kind of financial compensation linked to the aforementioned indicators, beyond the general objectives relating to the success of the company's operations.



Substantial modifications to the payment system – whether in its entirety or to one of its components – are submitted for the approval of the Executive Committee.

The company favours transparent information on its remuneration policy and line managers are given an overview of the company's basic principles of remuneration, the different remuneration components of its collaborators and support in controlling the salary costs of their organizations. Salary studies are used as a reference to determine the company's position with respect to the market and to help make decisions regarding remuneration on behalf of the line.

The company participates in relevant international forums and salary surveys, keeping up-to-date with the latest remuneration trends and practices to enhance its competitiveness in the short, medium and long term.

Other benefits beyond those required by law

Repsol YPF offers employee social benefits to many of its staff. These benefits, such as pension plans, insurance and medical care, exceed legal requirements. The company has pension plans for approximately 76.2% of its employees and 37 million euros was allocated to this item in 2007, an 8.2% increase compared to 2006.

Furthermore, 46% of employees enjoy supplementary health care insurance in addition to the basic national healthcare provided by each country. These benefits frequently extend to employees' families.

A significant number of employees in the countries in which the company is present enjoy such benefits as life insurance, medical check-ups, maternity/paternity, the right to retirement, food vouchers and/or subsidised canteen meals, education for employees and their children, subsidised nursery care, transportation and employee loans.

Diversity and work-life balance, an opportunity for all

As reflected in its public commitments, Repsol YPF undertakes to avoid any discriminatory practices in its management models and to favour diversity in all of its activities.

The company considers diversity a source of significant competitive advantage, recognising that it enriches capacities and provides new perspectives in decision-making processes and management models and the way in which the company takes on new social and business challenges.

Promoting diversity and non-discrimination by integrating local personnel, hiring people with disabilities and reinforcing gender equality also serves to improve the reputation of Repsol YPF in societies and markets, thereby strengthening the commitment and pride shared by company personnel.

Repsol YPF continues to make progress in implementing measures to ensure equal opportunities throughout the organization.

Personnel expenses

	<i>Million euros</i>		
	2005	2006	2007
Salaries and wages	1,134	1,238	1,379
Social charges	408	436	476
Total	1,542	1,674	1,855
Average cost per employee (euros)	43,758	45,328	50,525

Cost of employee benefits

	<i>Million euros</i>	
	2006	2007
Pension plans	34.22	37
Health insurance	19	22.1
Canteen services/meal subsidies	20.1	26.7
Preferential loans	0.1	0.3
Total	73.3	86.1

Of the actions the company has implemented in Spain to promote the integration of personnel with different abilities, the following lines of action are of particular note:

a) *Integration of personnel:*

- Special initiatives to optimize integration into the workplace of people with intellectual impairment, through the supported employment methodology. This is a structured and systematic training system which enables employees to acquire the skills, abilities and knowledge required for their position with the assistance of a job trainer and the ongoing assessment of leading companies in this field.
- Occupational training courses prior to integration in the work centre.
- Direct employment of people with disabilities.

b) *Alliances:*

- Employment agreement (“Acuerdo Inserta”) with Fundación ONCE.
- Presence in forums with leading companies and foundations renowned for their successes in the integration of such personnel.

c) *Training and awareness activities:*

- Motivational and awareness events.
- Improved access to installations and buildings. Adjustment of the corporate website to international accessibility standards.
- Sporadic studies of jobs at offices and industrial installations.

The above-mentioned initiatives have enabled the Repsol YPF Group in Spain to achieve the 2.05% of reserved quota required by law.

Special mention should be made of the company's actions in Peru regarding integration of local personnel and development of minorities.

Relationship between entry level wage and minimum wage

Location	2005			2006			2007		
	Entry level wage (euros)	Min. wage (euros)	%	Entry level wage (euros)	Minimum wage (euros)	%	Entry level wage (euros)	Minimum wage (euros)	%
Spain	13,735	7,182	91	14,196	7,573	88	16,098	7,988	102%
Argentina	3,691	2,269	63	4,057	2,713	50	5,104	3,002	70%

Basic salary for men (BSM) and women (BSW) by employee category

	2006		2007	
	Spain	Argentina	Spain	Argentina
Managers	93%	85%	92%	84%
Technical managers	88%	92%	88%	90%
Technicians	91%	96%	94%	94%
Admin. staff	88%	104%	90%	89%
Operators	70%	66%	77%	66%
Total	78%	65%	90%	64%

Peru diversity and work-life balance project

Repsol YPF Peru champions equal opportunities in all professional development. The activities in this field have enabled women to work in areas which were previously considered to be the “domain” of men:

- Mechanical verification, office operations and processes, amongst others
- Laboratories
- Mines
- Service stations
- Relations with indigenous communities

The company has also developed specific programmes supporting diversity and the integration of personnel from local communities. The following are of particular note:

- The Universidad Laboral del Callao programme aimed at young people from the less affluent communities of the Ventanilla and Callao areas, which is designed to provide occupational and technical training.
- The agreement with the Peruvian non-profit educational institution Tecsup, with the objective of training secondary-school students from Ventanilla to ensure that, on completing their higher education studies, they have developed the personal and professional skills necessary to allow them to enter the job market.
- The indigenous crafts workshop, created to develop the skills of craftspeople, setting in motion an economic–production cycle which allows them to improve their quality of life. This programme enables indigenous women to contribute to the family economy.

Initiatives aimed at reconciling work and family life have also been developed, with good results. Initiatives planned include those directed towards protecting pregnant women and breastfeeding mothers. Female workers are entitled to 45 days’ pregnancy leave and 45 days post-natal leave. Prenatal leave can be partially or totally deferred and accumulated for the post-natal period, as the worker prefers. It is also possible for mothers to take holidays immediately after the post-natal period, to extend their leave to 120 days in the case of multiple births, and to have an hour free per day for the purpose of breastfeeding until the baby is one year old.



New technologies for new challenges

Repsol YPF is open to changes in society. The opportunities offered by communications and information technologies are therefore monitored and incorporated into its management models to offer employees the necessary tools to facilitate a work-life balance. Repsol YPF looks out for its employees, to understand and respond to their needs and to reward their contributions to the company’s business endeavours.

One of the initiatives approved by the Diversity and Balance Committee is the launch of a pilot homeworking project, which will commence in 2008 for a period of 6 months. Marketing, E.D Resources, E.D YPF and E.D Communications and the Chairman’s Office are the areas selected. The objective of the pilot programme is to test the internal study in practice, as a step towards its launching throughout the organization.

Diversity and Balance Committee

Diversity management was identified as one of the key challenges in 2007, a driver of cultural change and an opportunity for improvement identified in the work climate study.

The 2006 study for gender diversity at Repsol YPF led to the Executive Committee's approval of eleven gender equality initiatives. Consequently, the Downstream Executive Director was assigned to head the Diversity Project.

Key measures were also identified to manage diversity, the work-life balance and personal development.

It should be noted that the project:

- Involves a cultural change
- Has significant impact
- Is related to improvements in the working climate
- Considers the short, medium and long term.

The objective of the project is to promote equal opportunities and ensure that the company remains competitive, optimizing and developing talent on the basis of gender, age, nationality and business criteria, among other aspects.

The Diversity and Balance Committee's strategy has six lines of action:

- Attracting and retaining talent: to retain the best professionals and attract those with potential.
- Appropriate diversity management: ensuring equal opportunities, considering matters such as professional assessment or promotions, as well as designing special development and training plans for high potentials.
- Work-life balance: adapt and apply existing measures in the work-life balance area to the company's actual situation and social environment.
- Awareness and communication: training activities on diversity and work-life balance, as well as a hands-on and accessible management style that can spread company values.
- Adaptation of standards and procedures related to people management: to ensure that people management meets the company's objectives and that the standards and procedures consider diversity and work-life balance.
- Scorecard: the purpose of the scorecard is to analyse the development of the plan and measures to be implemented, designing the indicators that will allow to assess the impact of the adopted measures.

The first initiatives carried out by the committee in 2007 were directed at efficient time management, focusing on flexible timetables and meeting planning to make these more efficient and at "reasonable" times.

Measures supporting the work-life balance and guaranteeing advances in the company's culture are due to be launched throughout 2008.



Independent Experts Committee - Question 11

Page 70 of the 2006 Corporate Responsibility Report includes an analysis of pay equality between men and women and indicates inequalities. Are measures being adopted to mitigate this inequality? Page 73 refers to 11 improvement measures to facilitate equal opportunities between men and women. One of these measures is to “design a scorecard and monitor the women’s development”. Will the 2007 report include the scorecard, objectives proposed and results achieved during the first year of the 11 point improvement scheme

The inequalities reflected in the information are still due to the extent to which women are integrated into the workplace. In groups of the same age and category, these inequalities tend to disappear. In order to correctly interpret the salary information contributed by the company, it should be taken into consideration that the professional categories shown are the result of grouping together and then scaling several internal categories in which the percentage of women is very diverse.

2006 marked the start up of the “Diversity Project” which included 11 pilot initiatives aimed at achieving a balance between work and personal life. In 2007 these initiatives were integrated into a wider programme called “Diversity and Work-life Balance”, designed on the basis of the conclusions from the work climate study which had brought to light areas for improvement. This programme is led by a committee of directors from all areas who coordinate the activities of 6 working groups dedicated to the following issues: awareness and communication, attracting and retaining talent, work-life balance, managing diversity in development appropriately at Repsol YPF, scorecard design with monitoring indicators (different approach to initiative number 7), and standards and procedures for people management.

The Diversity Project initiatives have made the following progress:

Increased measures for flexible working hours and a new timetable

In 2007 the following measures came into force internationally to promote a work-life balance within the company:

- Introduction of flexitime: starting times between 8.00 and 9.30, 1 to 2 hours for lunch and a leaving time depending on how these are combined.
- Office lights switched off at 20.30.
- Meetings are avoided on Friday afternoons in order to not disrupt the alternate Friday schedule.
- In Argentina, a shorter working day was introduced as a pilot scheme on Fridays during the summer.

Introduction of measures to balance workloads

The new provisions of organic law 3 of 22 March 2007 are included in an official document of the monitoring committee for framework agreement IV of April 3, 2007 and in collective bargaining agreements.

- Breast feeding: the legal daily allowance may be accumulated into a single period which has to be used immediately after maternity leave.
- Shorter working day for family commitments: increase in the age of the child giving entitlement to the reduction to 8 years old and reduction of the minimum limit to one eighth.
- Besides paternity leave, leave due to the birth of a child is 3 calendar days, to be used immediately after birth. This leave is extended to 4 days if the birth occurs away from the employees’ usual place of residence and they have to travel more than 100 kilometres, or if employees are relocated in Spain for work purposes. If employees are outside Spain due to work, they are granted an extra day of paternity leave (5 days in total).

Nomination of women in promotion and development processes and ensured female participation in training programmes for high potentials:

- People Review: during these sessions business area /division committees meet to identify high-potential co-workers, reviewing strengths and areas for improvement in order to design development plans. During the 54 sessions, 1,926 individuals were reviewed, of which 464 were women (24%).
- Development Centre: this programme reveals employees’ potential, interests and ambitions. Of the 64 participants, 52 were women (81%).
- Integral Management Programme (PIM): this programme offers knowledge on business management, people management and leadership. Of the 69 participants, 19 were women (28%).

Professional category reviews

- In the Upstream ED, 139 individuals from subgroups I and II (9%) have had their professional category reviewed.
- In the Refining Spain ED, 64 individuals from subgroup II (10%) have had their professional category reviewed.

Design a scorecard and implementation of a monitoring system for female development

As a result of this shift in project focus, one of the six working groups created for this project will develop a scorecard with monitoring indicators. At present, the project is under development and being adapted to the new, more extensive and ambitious approach.

Inclusion of diversity objectives in the "Management by Commitments" system for managers and division heads

This initiative is one of the objectives of the Diversity and Balance Committee, the members of which are in charge of moving the project forward through the 6 aforementioned work teams.

To increase training in diversity

In 2007 three training initiatives focused on diversity.

- *Gender equality*
- *Culture awareness : 4 sessions, 240 hours and 26 attendees.*
- *Different disabilities events: 5 sessions, 484 hours and 121 attendees.*

Supporting the employees

One of Repsol YPF's priorities is to help its employees during difficult times in their working and personal lives. Activities have been introduced to equip the company with the tools required to provide support to its employees when they most need it.

Repsol YPF wants all company individuals to feel they have backing when they face problems such as violence or harassment. The company has set initiatives into motion to prevent harassment at work and to offer support to victims of domestic violence.

Harassment prevention protocols

In order to comply with one of the requirements of work-life balance law, a protocol for the prevention of harassment in the workplace is under negotiation with the trade union representative body of the framework agreement. The protocol is expected to come into force in 2008.

Supporting victims of domestic violence

Appendix IV and the section "Protection of victims of domestic violence" of the IV Framework Agreement include the definition and measures that the company makes available to its employees. These include psychological, medical, legal, work-related and financial support. Argentina has developed a specific internal protocol to protect victims of domestic violence.

Identifying talent

One of the company's greatest challenges is to identify and develop employee talent. A priority for Repsol YPF in terms of human resources is to have excellent, qualified and motivated teams that can achieve strategic objectives and help position the company as the "best place to work".

Repsol YPF has a number of programmes and tools to manage talent, designed to help employees develop and progress. The People Review, meetings with high potentials and managerial appointments are particularly significant.

People Review

Members from a division meet over several days to discuss a group of individuals selected for review. The objective is to identify possible future managers as well as individuals with great technical and administrative potential, so that the organization has qualified employees to carry out this work when necessary. 54 sessions were held in 2007. During the year both senior and middle managers committed more than 2,600 hours to reviewing more than 1,800 profiles, mainly area managers and high potentials. The programme is broadly based in: internal mobility, new project assignments, specific administrative training, languages, skills and mentoring.

Meetings with high potentials

People Review sessions have identified a group of high-potential employees based on their experience in the company, age, professional subgroup and command of languages. They are considered to have the appropriate profile for greater responsibility in the future. One of the objectives for 2007 (in addition to identifying these individuals and providing professional development) was to let the rest of the organization know who they are. Another initiative was to organise meetings with the Chairman and Chief Executive Officer of Repsol YPF, Antonio Brufau, the main objective of which was to allow him to get to know the company's high potentials personally and to discuss their opinions and ambitions with them. Between June and October a total of 9 meetings were held in Buenos Aires, Neuquen and Madrid, attended by a total of 163 high potentials.

Managerial appointments

In 2007 the company defined the profile of a Repsol YPF manager in terms of running the business, people management, handling complications, environmental management, personal skills and commitment. Following this criteria, there were 66 appointments in 2007, of which 25 were new managers and 41 changes in position. When the managerial team is renewed, diversity-based criteria is followed in terms of gender, age and nationality. For example, 28% of new appointments were employees who were not Spanish and 16% were women, with the average age of 44.64 years.

2007 managerial mobility indicators

Appointments: new managers

Number of new managers	25
Average age	44.64
% female	16%
% non-Spanish	28%
External appointments	2

Appointments: changes in positions

Number of changes in positions	41
Average age	49.8
% female	9.75%
% non-Spanish	26.83%

Leavers

Number of leavers	17
Average age	56.7
% female	0%

Developing talent

Repsol YPF's commitment to improving talent management has led to the start-up of tools such as People Review or Management by Commitments (MxC). The most significant of the company's various initiatives are the Development Centre Programme, Integral Management Programme (PIM) and Golf and Team Leadership Programme.

Development Centre Programme

The Development Centre, established in 1994, allows employee potential within an organization to be more easily identified. In 2007, a total of 64 individuals were invited to attend the sessions held in June, October and November. The participants had to have a minimum of 3 years' experience and be under 45. More than 80% of participants were women. By focusing the initiative on the employees, the company aimed to gain a real insight into the potential of women working at Repsol YPF. This programme will start again in February 2008 with 2 sessions per month, and several sessions will be reserved exclusively for women.



Integral Management Programme (PIM)

This programme, which took place over 25 sessions and was attended by almost 1,600 employees, has been adapted to the company's new requirements for talent management. The PIM is aimed at employees responsible for suppliers, customers or important projects. In November 2007 an intensive four-week format was launched in Madrid and 68 people attended. This format is also planned for Buenos Aires in 2008.

Training activity index by geographical area

Country	Participants	Staff	Employees trained (%)	Training hours (%)
Spain	50,801	14,502	60%	1.4%
Argentina, Brazil and Bolivia (ABB)	35,836	7,979	53%	1.0%
Rest of Latin America ¹⁾	8,373	1,858	53%	1.3%
Rest of world	1,772	668	24%	0.4%
Total	93,173	25,008	55%	1.2%

Employees trained: Staff that received training as a percentage of the maximum headcount for the year

Training hours: Percentage of total working hours dedicated to training

The rest of Latin America comprises Chile, Colombia, Ecuador, Peru, Puerto Rico, Surinam, T&T and Venezuela

Training expenditure

	euros	
	2006	2007
Spain	6,141,838	9,459,887
Argentina, Brazil and Bolivia (ABB)	3,899,303	4,995,334
Rest of Latin America	1,714,239	1,592,147
Rest of the world	1,060,103	866,457
Total	12,815,483	16,913,825

Use of knowledge management tools

	2006	2007
Communities of practice	43	45
Stakeholders	278	486
Users	14,741	18,850
Repsolnet users	26,500	29,108



Golf and Team Leadership Programme

Autumn 2007 saw the start of the “Golf and Team Leadership: stimulating learning” programme, under the managerial profile training programme, in order to improve the team leadership skills of new company management. During three sessions in September and November, the training format used combined online and classroom-based activities. Repsol YPF has a virtual learning environment and in 2007, 1,340 employees completed online courses on a variety of topics.

People management, looking for commitment

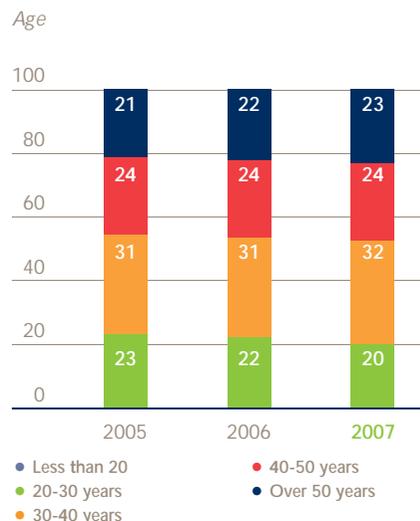
The changing environment in which Repsol YPF carries out its activities requires a great capacity to adapt. The first exercise of Management by Commitments (MxC), the new management model which plans the development of each person based on constant dialogue between management and employees, took place in 2007. One of the objectives of this model is to ensure appropriate merit-based recognition, to identify those employees with excellent performance records.

The first MxC session took place at the end of 2007 and 93% of the target group was assessed based on the criteria of this model. In 2007, results were also audited to detect possible areas for improvement and to gauge the quality of work performed to differentiate among employees. Based on the results, one of the main improvements introduced is that the year-end appraisal between managers and employees is now compulsory, and provides honest reality-based feedback. The main goal of this model is that throughout the year the evaluator can inform employees of their strengths and those areas requiring improvement.

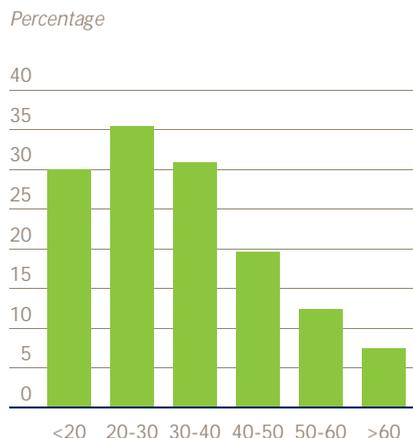
To facilitate the implementation of Management by Commitments in its second year, the launch of each stage was backed by an extensive communication campaign.

In 2007, the MxC results were audited to detect possible areas for improvement

Workforce by age



Percentage of females by age



Performance appraisal

	2005	2006	2007
Total number of employees (a)	35,909	36,931	36,700
Number of employees who receive a formal performance appraisal and review during the period (b)	5,943	10,398	10,852
Percentage of employees who receive a formal performance appraisal and review during the period (b/a)	17%	28%	30%

Persons included in Managements by Commitments by executive division

	Number of employees
CD Management Development	15
CD Corporate Strategy and Development	21
ED Communications and Head of the Chairman's Office	122
ED Downstream	3,239
Chief Financial Officer	738
ED LNG	55
ED Resources	1,016
ED Human Resources	402
ED General Counsel and Secretary of the Board of Directors	149
ED Upstream	1,102
ED YPF	3,993

People review

No. of personnel reviewed	1,926
% non-management	86.35%
% female	24.10%
% non-Spanish	44.75%

Workforce by age 2007

Age groups	Female	Male	% female	% male	Total
Under 20	39	91	30%	70%	130
20-30	2,662	4,821	36%	64%	7,483
30-40	3,662	8,120	31%	69%	11,782
40 - 50	1,732	7,106	20%	80%	8,837
50 - 60	964	6,749	12%	88%	7,713
Over 60	55	700	7%	93%	755
Total	9,114	27,586	25%	75%	36,700

Making the company a better place to work

Another key tool is the climate management process, which is essential for employee participation. Based on a detailed survey, the most recent edition of which was carried out in 2006, a mechanism for continuous progress is launched to analyse strengths and areas of improvement. Based on the 2006 survey, over 200 result reports were obtained which were made available to heads of business areas and which have generated numerous and consistently designed action plans. Based on the consolidation of all these plans, a common company-wide action plan was designed which focuses on three areas: diversity and work-life balance, management style and people management.

- *Diversity and work-life balance*: the challenge consists of managing diversity in such a way that everyone benefits from the same opportunities and can take advantage of their abilities. One of the key factors is a balance between professional and personal life.
- *Management style*: the aim is for team leaders to adopt a more open and approachable style of management, encouraging teamwork, information sharing, autonomy in the workplace and flexibility in decision-making.
- *People management*: the company requires the best highly-qualified and most suitable professionals for each position. The Global Action Plan focuses its initiatives on 5 specific aspects: opportunities and career, Management by Commitments, merit-based recognition, personal development and internal mobility.

Corporate Division of Management Development

In 2007, Repsol YPF's Board of Directors approved a new organizational structure creating the Corporate Division of Management Development. The objective of this Corporate Division, which reports directly to the Chairman, is to make Repsol YPF the leading company in talent management and to create a team of leaders capable of achieving strategic objectives.

The new Division presents two main challenges: developing a management team appropriate to the company's strategic objectives and encouraging cultural transformation and a new management style.

Internal communication and diversity

Within the new organizational structure, the Corporate Internal Communication function is transferred to the Corporate Division of Management Development. This area is also assigned responsibilities associated with group diversity and work-life balance.

As a result of the change in direction, this function changed its name to Internal Communication and Diversity and adopted a new strategic vision:

- Rely on leaders who involve employees in the company's strategy, bear the standards of its culture and inspire pride and commitment.
- Achieve a situation whereby each company employee acts as an example of Repsol YPF's strategic information and values.



+ information

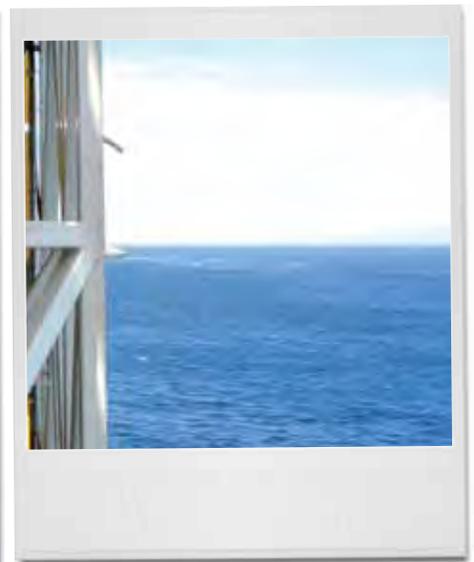
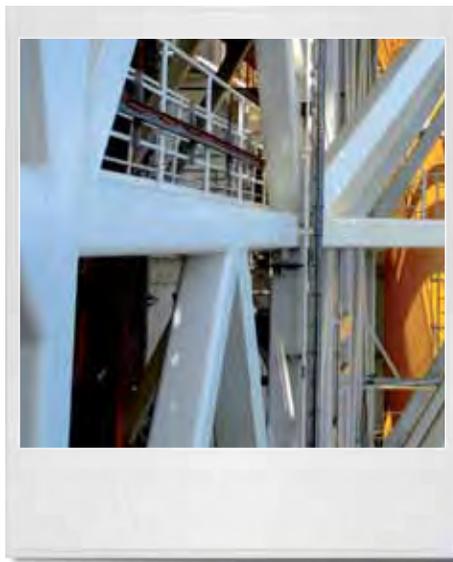
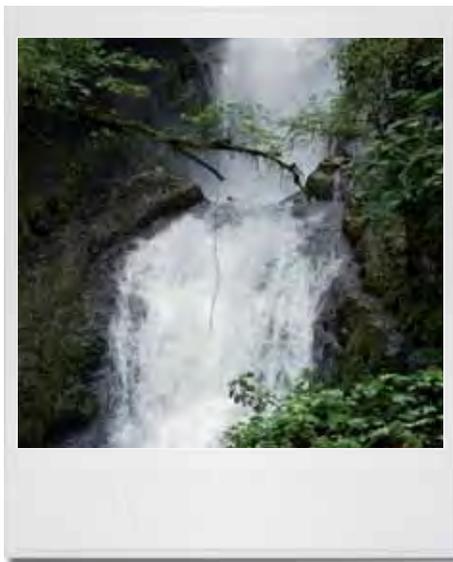
Corporate Responsibility: corporateresponsibility.repsolypf.com

Social commitment: socialcommitment.repsolypf.com

Our employees: ouremployees.repsolypf.com

Environmental management and efficient use of resources

Repsol YPF understands that technological innovation together with an advanced environmental management business model is the key to meeting growing energy demands in an environmentally-responsible manner



Initiatives planned

Development and implementation of programmes to record, detect and eliminate fugitive emissions (NMVOC)

Reduction of oil and gas spills

Development and implementation of programmes to optimize water consumption

Continuous improvement of the environmental management system.

2007 progress

Programs implemented at the Petronor and Tarragona refineries and the Puertollano and Tarragona chemical plants in Spain, as well as the La Plata refinery in Argentina.

Reduction of spills in exploration and production, and logistics activities in Argentina, achieving the objectives set for both businesses.

In 2007, consumption plans were developed for all refineries in Spain and the La Plata and Luján de Cuyo refineries in Argentina.

ISO 14001 certification extended to 13 new centres.

New regulations developed for environmental and safety due diligence standards.

2008 objectives

Continue to implement programmes in refining and chemical activities.

Continue to reduce oil and gas spills.

Extend the optimization programmes to other company centres.

Extend the scope of ISO 14001 certifications to new centres.

Continue to review and continuously improve the company's regulation system.

NMVOC: Non-methane volatile organic compounds.

Reduction of environmental impacts

Due to its dynamic nature, the oil and gas business continually faces new situations in regions with significant political, social and environmental differences. Our activities, particularly at the exploration stage, are frequently carried out in remote and environmentally and socially sensitive regions. This presents new technical and environmental challenges and raises new issues to be considered in terms of our relationship with local communities.

The management of environmental and social issues is not an add-on but in fact an essential element for carrying out our activities correctly, contributing added value to the business. This integral management fosters better relationships with external stakeholders and boosts the personal satisfaction of all those individuals forming part of our company.

In general, we work to identify and assess the significant environmental issues at strategic level for inclusion in our company planning. Consequently, we set annual targets to reduce emissions, improve waste management, conserve biodiversity, prevent and prepare for possible spills and for efficient water management.

In the Upstream division we have developed uniform environmental standards to be applied worldwide wherever we operate, compensating for potential shortcomings in legislation. We have also implemented a global maritime spillage prevention programme due to our increased offshore activity.

While searching for solutions to minimize the environmental impact of our activity, we try to base our work on external sources of knowledge, including associations in our sector and other expert organizations in the field of natural and social sciences.

Management of projects and installations has to be assigned the necessary time and material and human resources, including training and raising awareness amongst personnel. The whole chain of command must also be convinced of the essential value to the company of respect for the environment, for these processes and resources to be effective.

The entire management team and I are committed to spreading these values.

Nemesio Fernández-Cuesta
Executive Director of Upstream

“Shared Responsibility”, the key to successful management of the industry’s challenges of highest priority

It comes as no surprise that the energy industry is facing the most important challenges in its over 100 years of history.

The mitigation of climate change, social management in developing countries and society’s demands for transparency are considered priorities.

Only by co-operating can governments, society and energy companies obtain measurable results for the challenges mentioned before.

There are two levels of Shared Responsibility: The first level refers to industry associations, such as ARPEL, which are an appropriate platform to share experiences and best practices, facilitating learning and continuous improvement to minimize environmental and social risks of operations. No one can deny the technological and operational improvements made in Exploration and Production activities during the last decades, which have reduced the environmental risks associated with these activities to almost zero.

The second level of Shared Responsibility is essential for efficient management in the face of Climate Change, and social management in the communities in which the industry is present.

Nowadays, the reduction of greenhouse gas emissions, more efficient energy sources, improvements in the quality of fuels to facilitate development of more efficient engines and new technologies to reduce emissions are issues that concern companies daily.

In the social sphere, in Latin America and the Caribbean there are thousands of ventures whereby companies and their employees, governments, NGOs and public volunteers are participating in thousands of workshops to achieve a more balanced society with equal opportunities.

José Félix García

Executive Secretary – ARPEL (Regional Association of Oil and Natural Gas Companies in Latin America and the Caribbean)

Environmental impacts and measures taken to minimize them

Repsol YPF will continue to give priority to reducing the negative impacts of its activities on the environment, focusing its initiatives on minimizing atmospheric emissions, optimizing water consumption, reducing pollution load of water discharges, correct waste management, improving spill

prevention systems by employing best practices and technological innovation. The company will also continue efforts towards the identification, evaluation and correction of possible contamination situations in the past.

Air	
Impacts: <ul style="list-style-type: none"> • Main pollutants: SO₂, NO_x and NMVOC • Greenhouse gases: CO₂ and CH₄ 	Measures to minimize impacts: <ul style="list-style-type: none"> • Energy saving and efficiency • Use of cleaner fuels • Improvement of industrial processes • Performing adequate maintenance programs • Minimizing emergency situations • Reducing venting • Minimizing fugitive emissions • Monitoring and adequate planning of management costs • Specific training programs
Effects: <ul style="list-style-type: none"> • precursors to acidification (NO_x), and acid rain (SO₂) and increase in tropospheric ozone levels (NMVOC) • Contribute to the greenhouse effects (CO₂ and CH₄) 	
Main areas affected: <ul style="list-style-type: none"> • Refining and Exploration and Production 	
Total 2007 SO ₂ : 102,003 t NO _x : 95,823 t NMVOC: 42,375 t CO ₂ : 24.296 MMt CH ₄ : 0.148 MMt	

t: Tonnes
kt: Kilotonnes
MMt: Million tonnes

Waste	
Impacts: <ul style="list-style-type: none"> • Hazardous waste (HW) and non-hazardous waste (NHW) mainly from sludges of water treatment plants, deposits at bottom of storage tanks, drilling rubble, earthworks for construction or modification of installations and contaminated soils by oil and gas spills. 	Measures to minimize impacts: <ul style="list-style-type: none"> • Improvement of internal management • Implementation of programs to minimize waste at all process's stages • Substitution of raw materials or additives • Encourage reusing and recycling • Participation in community waste management programs • Monitoring and adequate planning of management costs • Specific training programs
Effects: <ul style="list-style-type: none"> • Secondary impacts due to waste management 	
Main areas affected: <ul style="list-style-type: none"> • Refining, Chemicals and Exploration and Production 	
Total 2007 Hazardous waste: 498,236 t Non-hazardous waste: 202,833 t	



Water

Impacts:

- Use of a finite resource
- Main pollutants: Hydrocarbons, suspended solids, COD

Effects:

- Reduction in water availability
- Harm to natural purification systems and ecosystems

Main areas affected:

- Refining, Chemicals and Exploration and Production

Measures to minimize impacts:

- Optimizing consumption
- Promoting reuse of purified water
- Minimizing emergency situations
- Segregating currents to improve water treatment
- Monitoring and adequate planning of management costs
- Specific training programs

Total 2007 **Total water captured:** 125,314 kt **Hydrocarbons discharged:** 116 t **Suspended solids:** 1,507 t **COD:** 5,869 t



Soils

Impacts:

- Oil and gas spills on land

Effects:

- contamination of soils and groundwater of adjacent aquifers

Main areas affected:

- Exploration and Production

Measures to minimize impacts:

- Applying control and prevention procedures
- Systematic evaluation of installations
- Applying best technical remediation criteria
- Adequate treatment and final disposal of waste from cleaned polluted areas
- Monitoring and adequate planning of management costs
- Specific training programs

Total 2007

Number of Spills: 1,228 **Amount of HC spills:** 919 t

Repsol YPF's outlook and goals

The new globalised economic and social environment has created a dynamic to which companies should adapt. Society demands that companies not only adopt a responsible management approach to economic and financial issues, but that they also respect fragile social and ecological balances upon which the well-being of current and future generations depend.

Oil and gas are key elements for the prosperity and development of societies, as well as for improving quality of life. Consequently, energy companies face an important challenge: how to meet growing energy demands in a socially and environmentally-responsible manner.

Repsol YPF understands that technological innovation, together with an advanced environmental management business model are the key to meeting this challenge. Activities such as setting goals and objectives, incorporating environmental standards into all the activities and during its whole life cycle, the design and implementation of improvements to processes and management systems and investment in new technology will enable Repsol YPF to continue improving its environmental management and take on the challenges faced by the oil and gas sector in this area.

All Repsol YPF's world Refining and Chemicals facilities are certified under ISO 14001 standard

Environmental management

The basis for Repsol YPF's environmental management system is the Environmental and Safety Manual, which sets out functions and responsibilities and establishes a system of criteria and management tools for the entire company. The management system is complemented by an extensive body of standards, procedures and technical guidelines which are in continuous update and comply with best practices in the sector; together with the management systems developed by the business units/operating centres, they constitute Repsol YPF's environmental and safety management system.

During 2007 Repsol YPF focused its efforts on rolling out and promoting amongst its employees, contractors and suppliers the principles of the new Health, Safety and Environment Policy approved in 2006. A safety and environmental due diligence regulation was also approved, discussed in the chapter on "Our commitment to safety."

Environmental planning

Repsol YPF sets annual environmental objectives which, within the company's safety and environmental strategy, are approved by the company's Executive Committee. These objectives also form part of the annual objectives of the majority of Repsol YPF employees who receive target-based variable remuneration.

Each year, the different company businesses prepare the necessary action plans to respond to new legislative initiatives, Repsol YPF's strategic direction, and corrective action plans resulting from the audits performed, including the necessary investments and expenditure in the company's general budgets.

Audits and certifications

Repsol YPF's Environmental and Safety Audit Plan includes internal and external audits. During 2007, 479 internal environmental and safety audits⁽¹⁾ and 547 external audits took place. Of these audits, 132 were in relation to certification processes.

Repsol YPF encourages the certification of its facilities under ISO 14001 to assess its environmental management system and obtain international external validation.

During 2007 the company increased the number of centres certified under ISO 14001 standard. In terms of new certifications, of particular note are those achieved by exploration and production operations in Trinidad and Tobago, exploration activity in Libya (REMSA), nine LPG factories in Spain, Portugal, Argentina and Ecuador, and two marine and fishing supply installations in Spain. Exploration and production activity in Colombia was also certified during the first quarter of 2008.

With the new certifications obtained, Repsol YPF now has certificates for 17 exploration and production operations, nine refineries, 10 chemical plants, 18 logistics terminals, 21 air plants, 16 lubricants and specialities plants, 28 marine and fishing supply installations, 36 gas stations, 25 LPG factories, an underground natural gas storage facility, geophysical operations in Argentina, and both technological centres. The certificates obtained by Repsol YPF are available at repsolypf.com.

Main ISO 14001 certificates by activity

Activity	Centres	%
Refining	9 of 9	100
Chemicals	10 of 10	100
Exploration and Production	17 of 20	85
Technological centres	2 of 2	100

Independent Experts Committee - Question 4

Has Repsol YPF performed an independent external audit of the environmental and social impact of its activities? If not, does the company plan to perform and publish an audit? Would it be included in the sustainability report?

Repsol YPF carries out Environmental and Social Impact Assessments for all new operations and installations and for any significant modifications to existing activities, even when not required by local legislation. These assessments are performed by independent external organizations and made publicly available through the official bodies of each country in which the company operates.

The company also carries out external audits of its activities under the standard ISO 14001, with all of its industrial refineries and chemical activities and an increasing number of the rest of its exploration and production, marketing activities, etc., certified under this standard. The number of audits performed each year together with the certified centres is available in the Corporate Responsibility Report and at repsolypf.com

Each year, Repsol YPF verifies the information on its environmental performance published in its Corporate Responsibility reports since 2004 and the former Environmental Report since 1998. This represents an independent external verification process which is performed in accordance with the criteria of the Global Reporting Initiative (GRI) and AA1000, the results of which are included in this report. In 2006, Repsol YPF was rated A+ in terms of the GRI defined application levels, the highest possible

(1) Number of "crossed" internal audits (performed by qualified personnel from centres other than that audited). This does not include local internal audits performed by personnel belonging to each centre.

Environmental training in 2007 ⁽¹⁾

	Personnel	Hours	Employees trained (%) ⁽²⁾
Spain	739	4,515	19%
Argentina, Brazil and Bolivia (ABB)	422	2,882	3%
Rest of the world	35	328	1%
Total	1,196	7,725	3%

(1) The data in the table includes company employees with permanent and temporary contracts, and does not include the training of contractors.

(2) Employees trained: staff that received training as a percentage of the maximum headcount for the year.

Notable training events

The company promotes training of all personnel based on their responsibilities and activities. In 2007, various training events took place with the participation of employees from all company businesses, sharing experience and knowledge between the different areas.

In this sense, it's worth mentioning the workshops and day courses organised for the exchange of environmental and safety experiences and good practices between the different business units, providing solutions to common problems, held in May in Buenos Aires (Argentina) and in November in Segovia (Spain). The goal of it is promoting lessons learnt among different business units, in order to give solutions to common problems.

In addition, the first stage of the company-wide environmental training programme has also been completed.

The table attached shows information on the number of employees, training hours and percentage of Repsol YPF employees that received training on environmental issues during 2007.



Air emissions

In addition to greenhouse gases, the main pollutant emissions due to the company's activities are SO₂, NO_x, CO, particulate matter (PM) and non-methane volatile organic compounds (NMVOCs).

Protection of the atmosphere is a priority for Repsol YPF. Consequently, the company has developed programmes to control and reduce emissions in its different activities.

Projects include the energy efficiency programmes developed in the refining area which help optimizing fuel consumption and reducing atmospheric emissions; outstanding there is the flare gas recovery project implemented at the Puertollano refinery (Spain) in 2007 to reduce the flow of gases emitted without energetic use.

Evolution of the main emissions to air

	2003	2004	2005	2006	2007
SO ₂	108,957	109,222	102,292	101,571	102,003
NO _x	96,189	92,457	85,052	87,799	95,823
NMVOOC	56,143	58,090	44,937	39,045	42,375
CO	25,250	22,625	24,170	25,259	25,726
Particulate matter	9,105	9,288	10,068	10,767	9,986
Total	295,644	291,682	266,520	264,441	275,913

Main emissions to air

Percentage



● SO₂ ● CO
 ● NO_x ● Particulate matter
 ● NMVOC

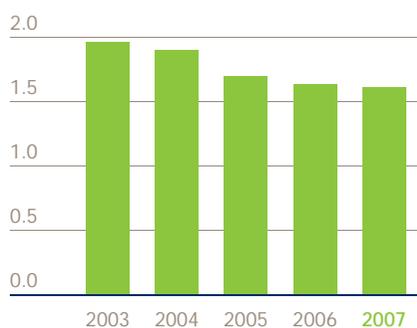
Main pollutant emissions to air by activity

Percentage

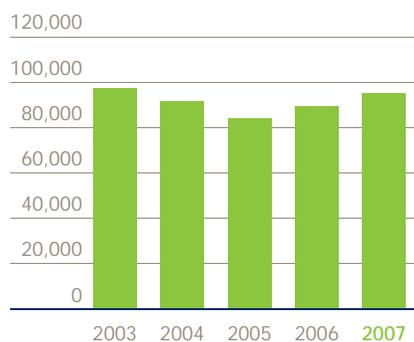


● Refining ● Marketing
 ● E&P ● Others
 ● Chemicals

 SO₂ emissions in refining

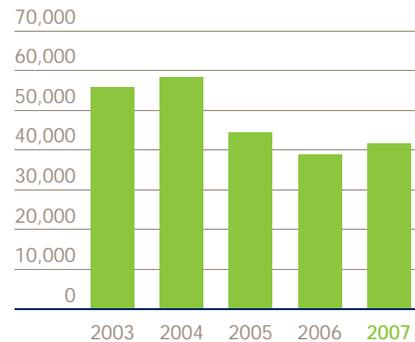
 Tonnes of SO₂/Kilotonnes of crude oil processed

 NO_x emissions

Tonnes



NMVOC emissions

Tonnes


 Main SO₂ emissions by activity

Tonnes

Activity	2007
Refining	89.247
Exploration and Production	5.400
Chemicals	7.282
Others	74
Total	102.003

 Main NO_x emissions by activity

Tonnes

Activity	2007
Refining	25.728
Exploration and Production	62.307
Chemicals	7.695
Others	93
Total	95.823

Main NMVOC emissions by activity

Tonnes

Activity	2007
Refining	9.156
Exploration and Production	17.099
Chemicals	9.648
Marketing	2.922
GLP	2.159
Others	1.391
Total	42.375

Sulphur dioxide emissions (SO₂)

Repsol YPF's SO₂ emissions mainly occur as a result of the sulphur content in fuels used to supply energy in refining processes. Their presence in the atmosphere can cause the phenomenon of acid rain.

In addition, an emission rate per each unit of crude oil processed in the refining area (the activity which accounts for 90% of the company's total SO₂ emissions) is slightly lower than in 2006, mainly due to the improved performance of the sulphur plants at the Tarragona refinery as a result of a change of catalyst and, to a lesser extent, the halt in production at the Puertollano refinery.

Other noteworthy activities in the refining area in Argentina include the creation of a low-sulphur fuel-oil for furnaces and boilers, the use of an additive which reduces SO₂ emissions, the installation of analysers for emission sources through furnace and boiler chimneys and the reduction in losses from flare gases through the installation of flare gas compression groups.

Nitrogen oxide emissions (NO_x)

NO_x is emitted during combustion processes, due to the nitrogen present in the atmosphere. This pollutant can cause acid rain and be a precursor for tropospheric ozone. At Repsol YPF, NO_x emissions are mainly the result of exploration and production and refining activities due to fuel consumption.

During 2007, NO_x emissions were up 9% compared to the prior year. This rise mainly occurred in Argentina, due to increased fuel consumption for engines in certain exploration and production areas.

Non-methane volatile organic compounds emissions (NMVOCs)

In the oil industry, NMVOCs are mainly produced in refining activities, as a result of oil and gas extraction operations, at storage depots, at service stations during petrol handling, and in general, due to fugitive emissions.

NMVOC emissions in 2007 are up 9 % on the prior year, mainly due to the increase in venting in certain fields of exploration and production and in refining as a result of the greater amount of crude oil processed.

Various initiatives are underway at an increasing number of company centres in order to reduce NMVOC emissions.

- The plan to install liners in light product tanks in La Plata (Argentina) refinery will be completed in 2009. The company is also working on a plan to minimize tank leakages (through inspection and calibration of pressure and vacuum valves).
- Programmes for the detection of leaks and elimination of fugitive emissions at the Tarragona and Puertollano chemical plants and Petronor and Tarragona refineries.

Water management

Water is an essential natural resource. Without it, our existence on this planet would be impossible. Consequently, the integral management of water resources is fundamental to the company's management models.

Repsol YPF is committed to appropriate water management based on the principles of reuse and optimized consumption, as well as the reduction of pollution load of water discharges and of the improvement of wastewater treatment and water discharges.

Optimizing water consumption

Water consumption mainly occurs in refining and chemicals activities, caused by evaporation losses in cooling circuits, steam production system purges and product purification processes.

During 2007 the company captured 125,314 kilotonnes of water, largely from surface resources (53%) and the public network (39%) and to a lesser extent from underground resources (8%).

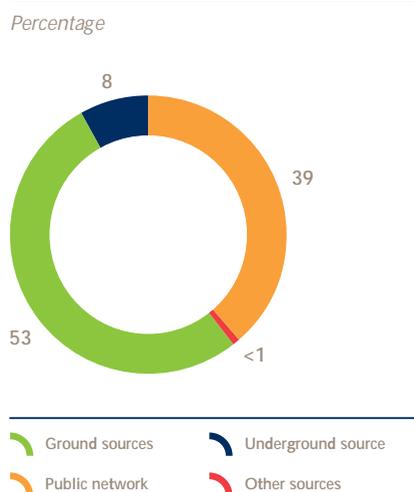
Water management

	2003	2004	2005	2006	2007
External captured water	131,549	129,170	124,829	124,320	125,167
Water discharged	55,063	54,136	51,173	52,109	58,972
Reused	18,808	20,433	20,818	22,073	20,915
Produced	137,371	157,652	163,314	183,159	191,589
Injected	160,199	179,461	178,973	192,775	196,413
Other sources	1,323	1,840	554	148	147
Total captured (external + other sources)	132,872	131,010	125,384	124,468	125,314

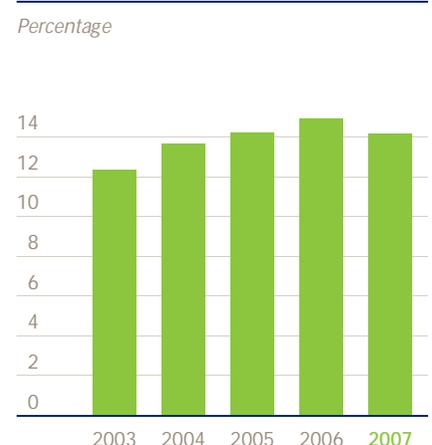
Total water captured by activity

Actividad	2007
Refining	76,492
Exploration and Production	17,310
Chemicals	27,431
Marketing	3,355
Others	726
Total	125,314

Source of water captured 2007



Reused water



The total amount of water captured is similar to the 2006 data.

In addition, a greater volume of water was withdrawn and discharged in the company's refining activity, mainly due to changes in the water measurement system at the Luján de Cuyo refinery (Argentina). This increase is offset by a reduction in the withdrawal of water in exploration and production activities, mainly because less water is used in the secondary recovery process for improving oilfield production.

Repsol YPF is carrying out feasibility studies and specific programmes at a growing number of its centres to optimize consumption. Among them, it's remarkable the sludge concentration unit that was constructed in 2007 at La Plata refinery (Argentina), in the effluent treatment plant for recirculation. This will improve the sludge balance during the plant's operation, enhancing the quality of recirculated water.

In addition during 2007 plans for the optimization of water consumption were developed at the five refining industrial complexes in Spain.

Consumption optimization at the Spanish refineries

Puertollano refinery

Activities have been carried out to increase the quality of water recovered, saving 2,000 m³ pt of raw water.

Several additional measures are also planned, including the substitution of raw water for water recovered for the coking plant, which is estimated to save 1,000m³/day of freshwater.

A Coruña refinery

There are plans to improve water recovery from the tertiary treatment process in the water treatment facilities used at the production plants and in the fire-fighting network.

Petronor refinery

Specific measures have been implemented to decrease water consumption and reduce odours and the carry-over of solids.

Using 'water pinch' technology, a study is being carried out that investigates and offers integrated industrial solutions to save water in production processes, mainly by increasing recirculation and pre-treatments in the plant, and decreasing water discharged and its pollution load.

Cartagena refinery

Initiatives have been implemented to improve the quality of water recovered and to reduce water loss through cooling processes.

Several steps to improve the networks of oily wastewater are due to be completed in 2008.

Tarragona refinery

Plans have been made to improve the recovery of condensate entering the cooling towers, with a recovery rate of 5m³/h.

A study is being carried out to increase the water recovered from wells and soil for desalination equipment in the crude oil distillation units. A saving of 3m³/h of demineralised water is expected.

A study is underway to recover total soil water in order to save approximately 15m³/h of raw water.

Pollutants present in effluents (*)

	2003	2004	2005	2006	2007
Hydrocarbons	171	169	149	108	116
Suspended solids	2,068	1,543	1,479	1,865	1,507
COD	9,000	7,733	7,847	6,133	5,869

(*) The information in the table on discharged pollutants does not include those for Trinidad and Tobago, which were reported for the first time in 2006, and in 2007, totalled 54.3 tonnes of hydrocarbons, 113.5 tonnes of suspended solids and 3,970 tonnes of COD. During 2007, production effluents discharged into the sea recorded higher COD levels as water treatment plants were not operating correctly. Several mitigating measures were taken to improve effluent quality, resulting in a dramatic reduction in COD and other pollutants in the last quarter of 2007, including the optimization of chemical additives to improve treatment, engineering adjustments and modifications at the plant. In 2008 several engineering works will be carried out to ensure optimum performance by the treatment plants. These works will consist of improving production controls (transmission and measurement) and changing equipment (tanks, control valves and shut-off valves) for a more precise separation of water and crude oil.

Main pollutants discharged into water by activity

	Refining	Chemicals	Marketing	Others	Total
Hydrocarbons	73	13	26	4	116
Suspended solids	521	649	298	39	1,507
COD	2,085	3,451	247	86	5,869

Quality of wastewater

The company's operations generate wastewater which is discharged into receiving bodies (sea and rivers) after it has been treated. The most significant pollutants include hydrocarbons, suspended solids and Chemical Oxygen Demand (COD)⁽¹⁾. Other less significant pollutants are also generated (ammonia, nitrates, phosphates, phenols, sulphur and BOD- Biological Oxygen Demand) information on which may be found at www.repsolypf.com

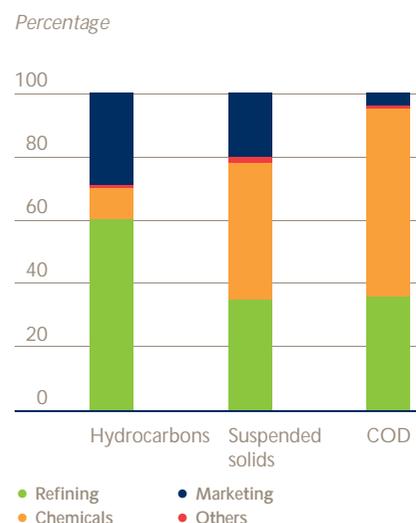
Repsol YPF's approach to effluent management is based on efficient control systems ensuring all effluents are appropriately identified, technologically advanced wastewater treatment facilities and specific activities to reduce effluents.

In 2007 the company has continued to carry out specific improvements at its different centres, notably the following:

- Construction of an equalising basin and a recirculation system that will improve effluent quality and subsequently reduce COD at La Plata refinery.

(1) COD: a parameter that measures the amount of organic matter present in a liquid sample that could be oxidized by chemical means. It is used to measure the level of pollution and expressed in mg O₂/litre.

Main pollutants discharged by activity in 2007



- Modification of the soda char oxidation plant, in order to guarantee compliance with discharge specifications and mitigate the impact of bad odours at the Tarragona refinery.
- Start-up of wastewater treatment plants in LPG Peru and Bolivia.
- Approval of the construction of new reservoirs to collect heavy rainwater and avoid overflow from the current reservoirs at the Puertollano refinery. Work is expected to begin in May 2008 and be completed in 2009.

Waste management

Reducing and improving waste management is a priority for Repsol YPF.

The main waste generated includes tank bottom clearing slurries, drilling slurry, waste due to earthworks for the enlargement or upgrade of facilities and soil contaminated with hydrocarbons.

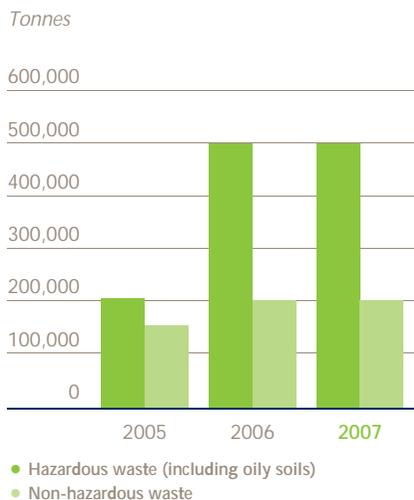
Considering the diversity of the company's activities and the specific legislation applicable in the countries in which it operates, Repsol YPF applies criteria, internal regulations, consistent standards and innovative technological solutions at all stages of waste management to ensure that the process is carried out correctly.

Repsol YPF's waste management objectives are focused on gradually reducing generated waste, reusing and recycling to the fullest, reducing the hazardous nature of waste, introducing programmes for continuous improvement in the different stages of management and reducing the risks of environmental damage.

The hazardous waste that was managed in 2007 was similar to the 2006 data.

During 2007, there was a rise in the extraordinary hazardous waste (approximately 15%), resulting from the works undertaken at the Petronor refinery to construct a fuel reduction unit (FRU) and from management of land following the drainage of an old waste tank at the Puertollano chemical plant. The increase is partially offset by the reduction in land polluted by hydrocarbons managed in exploration and production activities.

Hazardous and non-hazardous waste



Management of hazardous and non-hazardous waste by activity

	NHW	HW	Total
E&P	101,230	255,344	356,574
Refining	65,200	109,968	175,168
Chemicals	15,677	120,042	135,719
Marketing	17,079	6,179	23,258
Others	3,648	6,703	10,351
Total	202,833	498,236	701,069

Tonnes

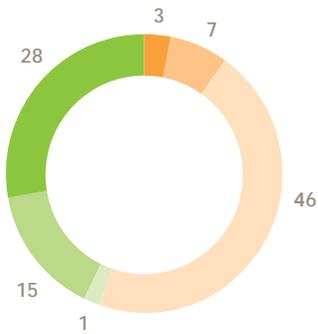
Since 2005 data for managed waste instead of waste produced has been reported to ensure that reporting is consistent throughout the company. Only the trend during this period is shown in the graph to make the data comparable.

NHW: Non-hazardous waste

HW: Hazardous waste (including oily soils)

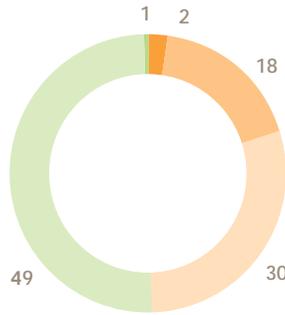
Management of hazardous waste

Percentage



Management of non-hazardous waste

Percentage



Non-hazardous waste is up by 2% compared to 2006, mainly due to the growth in exploration activities in Libya and Peru. This rise is partly offset by the decrease in waste managed at the La Pampilla refinery (Peru), where in 2006 large quantities of non-hazardous waste were treated due to the waterproofing of basins and construction of new tanks.

These projects continued in 2007 but generated less waste.

In management terms, 53% of hazardous waste and 21% of non-hazardous waste were earmarked for reuse, recovery or recycling. External management has increased, due to the growth in extraordinary waste generated from construction works and floor drainage in refining and chemical activities in Spain.

Programme for the recycling and sale of streech film and drums at the La Plata Industrial Complex (Argentina)

Streech film, used to wrap the pallets and the 205-litre drums left over after emptying the additives used in the blending process, constitute a waste in Repsol YPF's activities.

La Plata Industrial Complex, in Argentina, is developing a recycling and sales programme for streech film and drums, aimed at reducing both the generation of waste and the management and treatment costs.

Film is recycled by being ground and added to new materials to create different plastic items. Rubbish bags are used directly as raw materials. Waste drums generated during the process are substituted for clean containers and painted for use in asphalts or as recipients for special types of waste.

The above-mentioned activities have enabled resources to be obtained for aid programmes in centres such as the infectious disease ward at the La Plata children's hospital, the Jonás Salk de Ensenada kindergarten and the Berisso residence for the elderly.

Waste reduction through optimization of the catalysts at the spanish refineries

Catalysts are used in various units of a refinery and, once used up, are considered as waste due to their metal content and/or contaminants such as coke or sulphur, among others. Processing crude oil to produce cleaner fuel with less than 10 ppm of sulphur has increased the use of catalysts in hydro-treatment processes at refineries.

Once a cycle comes to an end, catalysts can be regenerated and re-used until it is no longer feasible to do so and they become waste.

Optimum processes of regenerating and revitalising catalysts, increasing the number of cycles and extending their useful lives, are one way of reducing this waste.

The Technology Division carries out a number of research activities, giving technological support to the refineries to reduce this waste:

- Analytical control of used catalysts and laboratory studies of the regeneration of catalysts, to determine where these can best be used.
- Changes to existing regeneration processes or development of new regeneration processes, such as the following:

1) Influence of regeneration conditions: temperature, percentage of steam and oxygen in catalysts used in hydrogenation of pyrolysis oil. Under these conditions the volume of waste can be reduced from 6 t/year to 1 t/year for this type of catalyst.
2) New catalyst regeneration processes used for the hydrodesulphurisation of gas-oil and gasoline. Unlike conventional processes, these procedures ensure that practically all activity from the spent catalyst is recovered and mainly involve using additives that allow maximum dispersion of active elements within the catalyst, resulting in greater activity. Used catalysts are treated with these additives (once the carbon is removed) and their activity is determined at a pilot plant.

This activity began in 2006 and continued in 2007, reducing waste generated by spent catalysts by 50%.



Soil and groundwater protection

Repsol YPF seeks to bring its prevention activities and remediation techniques in line with sector best practices.

The majority of the company's spills occur in exploration and production activities, mainly due to the huge areas of operation, product transport distances and the age of some facilities.

In 2007 there were 1,228 spills, with 919 tonnes of hydrocarbons affecting land. Compared to 2006, this represented a 23% and 38% reduction, respectively, in the number and volume of hydrocarbons spilled, thanks to immediate detection, communication and responses in spill situations, as well as investments in the exploration and production fields and logistics system.

Pilot test for the treatment of land contaminated with hydrocarbons in Rincón de los Sauces (Argentina)

Over 90 days the project tested three remediation techniques on a total of 9,000 m³ of land contaminated with hydrocarbons, in order to attain a Total Petroleum Hydrocarbons (TPH) concentration lower than 1%.

An area of work was designated for three companies to use three different remediation techniques in the Señal Picada Repository (SP155).

The treatments proposed were:

- Fixation and bioremediation of organic molecules developed and prepared from natural minerals, free from asbestos and additives, that absorb and bind hydrocarbon molecules in the soil through strong ionic bonds in

their crystalline structure, allowing organic degradation as a result of indigenous microbial digestion that mineralises the hydrocarbon and converts it into carbon dioxide and water.

- Mechanical aeration of biopiles through a controlled biological process whereby biodegradable soil pollutants are converted mainly into carbon dioxide and water, under aerobic conditions. The process is based on stimulating microbial activity, using special equipment and/or excavators to mechanically oxygenate the biopiles, maintaining appropriate humidity, nutrient, pH and temperature conditions.

- Systematic application of aerobic, anaerobic and facultative bacteria with specific fermentation enzymes and nutrients for the soil hydrocarbon concentrations to be treated, using water as a mixing vehicle.

All the treatments did reduce the content of TPHs, although systematic application of bacteria achieved the greatest reduction, meeting the 1% reduction target.

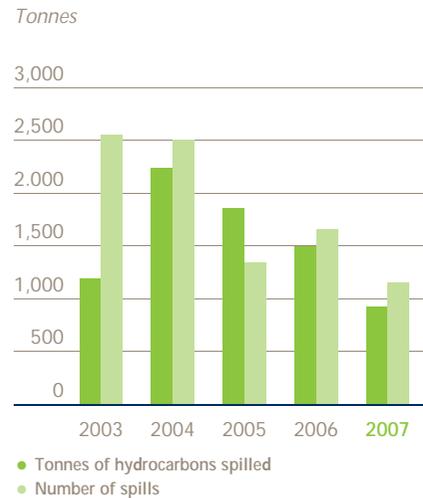
It's worth mentioning that the company has set a specific target to control spills in exploration and production and logistics activities in Argentina. The indicators used were the Net Loss Index, measuring hydrocarbons lost over net production, and Spill Frequency Rate, showing the amount of spills for each million of m³ transported, respectively. Both targets were achieved in 2007.

Moreover, the company has a specialised environmental engineering unit to take on environmental challenges related to soil and groundwater. The unit collaborates with business areas in preventing and remediating contamination, and has developed an extensive body of specific regulations in this regard.

The most important projects in Spain and Argentina during 2007 were as follows:

- Logistics activity in Argentina has included a project to remediate groundwater in several areas of the Luján de Cuyo-Villa Mercedes polyduct. Work was divided into eight locations, operated by four remediation companies that apply pumping and vacuum extraction methods and combinations thereof.
- In Marketing, active remediation has been carried out at 121 gas stations and ten gas-oil distribution depots. This remediation mainly uses on-site techniques (excluding excavation): vacuum, pumping, air sparging and bio-remediation, and in certain cases, (generally upgrades and decommissions) off-site techniques: excavation and appropriate soil and product management. Passive remediation is also underway by means of monitored natural mitigation at two gas stations where this has proved feasible.
- Environmental impact diagnoses have been completed on the land where the new facilities resulting from the plans to extend the Cartagena refinery, the Sines Industrial Complex and the Petronor fuel reduction unit (FRU) will be located. As a result of these diagnoses, off-site techniques have been employed at Petronor and future initiatives have been designed for Cartagena. No action is considered necessary for the Sines project.

Hydrocarbon spills affecting land



The number of spills reported in 2007 reflects those exceeding one barrel and with an impact on the environment. This reporting criterion, included for the first time in 2005, is due to the convenience of using comparable criteria adopted by international associations such as the Oil & Gas Producers association (OGP).

- Studies have begun at the industrial complexes of Tarragona and Petronor, as well as at five gas-oil distribution depots, as part of the environmental risk control supported by the new environmental liability law. These studies involve preparing conceptual models, risk assessments and proposals for mitigating measures for better management of these types of risks. The work will also be used to develop Repsol YPF's own methodology for environmental risk assessments, for future application at other locations and other kinds of facilities.

Bioremediation of soil in extreme weather conditions in the Libyan Desert

Waste management is central to environmental management in remote areas with no available infrastructure or qualified waste management companies.

International best practices have had to be implemented and adapted in REMSA operations (Repsol YPF Murzuq, S.A.) in the Murzuk Basin (Lybia) for waste to be managed responsibly, particularly land contaminated with hydrocarbons.

A soil bioremediation pilot project was therefore implemented in block NC 115 by applying a technique known as biopile. Bioremediation destroys and transforms hydrocarbons by stimulating the growth of micro-organisms that use the contaminant as a source of food and energy. Consequently, the amount of contaminant, in this case hydrocarbons, measured as TPH (Total Petroleum Hydrocarbons), is reduced,

Although the technique has proven very successful worldwide, it is not easy to find literature or examples of its application in areas with extreme weather conditions such as the Libyan Desert (the monthly average maximum temperature is 39.8C°, with average humidity of 40%).

In Libya, REMSA constructed soil piles with a maximum height of 2.5 m which are churned mechanically every three weeks to maintain aerobic conditions. Water and nutrients also need to be added to maintain the optimum environment for the micro-organisms.

To monitor the process, regular samples are taken and analysed for temperature, TPH, total colony-forming micro-organisms present, potassium, phosphorous and nitrogen.

After a process that lasted over a year (with six months' field work), 180 m³ of contaminated soil was remediated to within acceptable limits under the most stringent international legislation. The results revealed that the procedure was feasible despite the extreme environmental conditions under which the project was undertaken.

Laboratory tests demonstrated that TPH was effectively reduced by over 50%, as shown by the diagram.

TPH IR concentration



Upstream improvement plan for marine oil spills prevention and responses

Repsol YPF's Exploration and Production activities have traditionally been land-based. Nevertheless, the acquisition of new strategic marine assets and forecast growth in offshore drilling operations have created new technological and environmental challenges for the company.

Although offshore E&P activity does not represent a major oil spill risk, from a risk management perspective, possible major spill scenarios have to be considered, however remote the chances of actual occurrence.

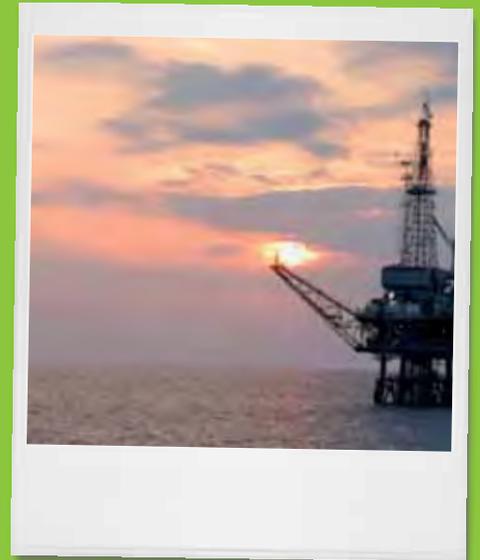
In 2007 a detailed study was carried out to evaluate the company's preparation and capacity to cope with potential oil spills. The study considered countries with current offshore production (Spain and Trinidad and Tobago), as well as those where offshore operations are planned in coming years.

Renowned experts from OSRL/EARL, a worldwide organization that provides training, advisory and response services regarding spills, and with which Repsol YPF has been collaborating since 2006, assisted in the study.

OSRL/EARL representatives interviewed personnel from the relevant departments of each of the business units involved, analysing in depth the structure required for fast and efficient responses to accidental spills. Risk profiles, available equipment, applicable procedures and personnel training levels in each country were also evaluated.

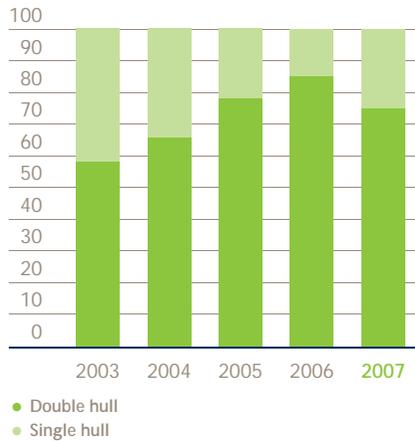
The process culminated in the preparation of a report which, based on the specific risks of each operation, provided recommendations for improvement in accordance with industry best practices. The results and conclusions of the report were shared with all those involved in its preparation and will be used as a basis for implementing an improvement plan over the next two years.

The improvements introduced will ensure that Repsol YPF's offshore operations are carried out in line with the industry's highest standards.



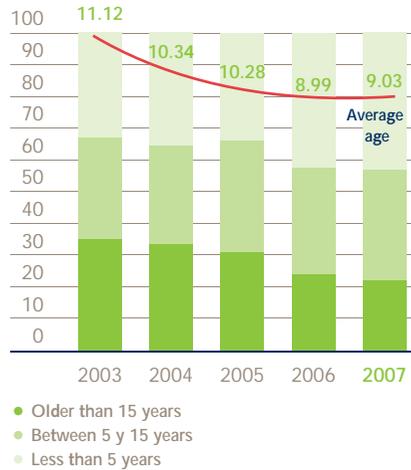
Vessels inspected by type of hull

Percentage



Age of inspected vessels

Percentage



Protection of marine ecosystems

For any company in the sector, minimizing the risk of accidents, including those related to the transportation of crude oil as well as heavy and light fuel, is a priority.

Repsol YPF uses the most advanced safety techniques and prevention systems, in line with the strictest international regulations and best practices.

Although the company does not have its own fleet of vessels, rigorous inspection and evaluation criteria (known internationally as vetting) are applied when third parties are subcontracted. Vetting services are also rendered to other companies.

Repsol YPF's vetting unit objective is verifying that all vessels operating with the company, transporting company cargo and/or visiting its terminals, comply with national and international regulations concerning maritime safety and pollution prevention.

Repsol YPF also has procedures to identify and disqualify vessels that do not reach required standards, by means of preliminary evaluations and physical inspections.

Preliminary evaluations include a review of the documentation provided by the operator; the Repsol YPF vetting questionnaire, pollution prevention certificates, certificates issued by rating companies and records of port state control inspections.

The second phase, physical inspection, is carried out during operations at the terminal. The vetting unit has inspectors in A Coruña, Bilbao, Tarragona and Cartagena (Spain), as well as in Buenos Aires (Argentina) and Lima (Peru). Inspectors visit the vessels that put into port and travel to wherever vessels operate with Repsol YPF cargo or places of interest to the company for any other reason.



The inspectors are merchant navy captains with vast experience at sea, certified by the OCIMF (Oil Companies International Marine Forum) for participation in the SIRE (Ship Inspection Report Programme) programme in three specialist areas (Oil, Chemicals and Gas).

During 2007, 1,659 preliminary vessel inspections took place, of which 1,183 were acceptable, 409 were not acceptable and 67 led to the disqualification of the vessel. A total of 953 physical inspections were also conducted, with 821 vessels approved and 132 rejected.

Environmental investments and expenses

As in prior years, the main environmental investments made in 2007 include those required to achieve the quality levels for oil products as stipulated in Spanish and Argentinean legislation, totalling euros 43 million. Individual projects of note in this area include the continuation of the petrol and diesel oil quality improvement programme at the Cartagena refinery (Spain), with environmental investment of euros 7.6 million.

Other significant investments were made to control, reduce and avoid pollutant emissions, including those earmarked for protecting the atmosphere, water resources, soil and groundwater. It's remarkable the continuation of the construction of the treatment plant for soda char produced by the refinery, together with development of the HOP (Humid Oxidation with Peroxide) plant to treat wastewater from the petrochemical plant, both in Tarragona (Spain) and with investments of euros 7 million and euros 9 million, respectively.



+ information

Corporate Responsibility: corporateresponsibility.repsolypf.com

Safety and Environment: safetyandenvironment.repsolypf.com

Environment: environment.repsolypf.com

R+D Programmes: newenergychallenges.repsolypf.com

The Oil Companies International Marine Forum (OCIMF): www.ocimf.com

Environmental investments and expenses

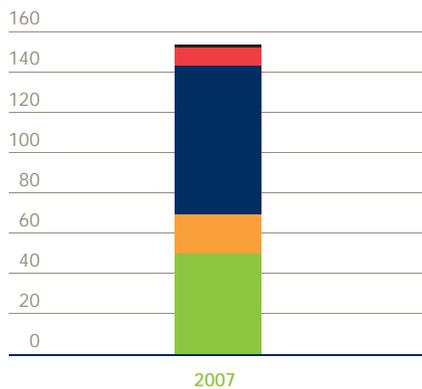
	<i>Million euros</i>				
	2003	2004	2005	2006	2007
Environmental investments <i>(excl. environmental quality of products)</i>	79.2	100.9	126.8	116.0	151.6
Investments in environmental quality of products	160.7	230.0	186.2	64.1	43.3
Environmental expenses	40.0	82.5	153.0	180.2	126.4

Environmental investments and expenses by area 2007

	<i>Million euros</i>	
	Investments	Expenses
Atmospheric protection	26.6	36.5
Water management	40.8	19.4
Waste and soils	55.9	57.2
Product quality	43.3	1.0
Others	28.3	12.3
Total	194.9	126.4

Environmental investment by activity

Million euros



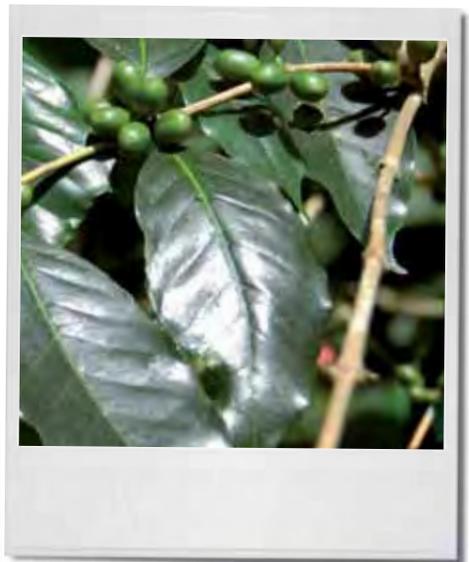
● Refining ● E&P ● Otros
● Chemicals ● Marketing

The data doesn't include the investments in environmental product quality



Biodiversity, a treasure that we must take care of

Conservation and sustainable use of biological diversity are crucial to achieving Millennium Development Goals



Initiatives planned

Integration of biodiversity into the company's management systems and decision-making processes.

Development of Biodiversity Action Plans (BAPs) for sensitive areas, in line with IPIECA and OGP good practices.

Improvements in the identification of company operations in sensitive areas.

2007 progress

Development of a body of regulations setting out biodiversity management principles and basic guidelines for all company operations.

Continued development of the BAP implemented in 2006 for exploration activities in Block 39 in Peru and the start-up of a BAP for offshore activities in Trinidad and Tobago.

Agreement signed with UNEP -WCMC for participation in the Proteus project. The agreement also granted access to the WDPA database of worldwide protected areas.

Launch of Repsol YPF's Biodiversity Information System (SIBRY), created from the WDPA database.

2008 objectives

Actions to roll out regulations to all the company's businesses.

Continue developing BAP's.

Actions to develop the biodiversity information system (SIBRY).

IPIECA - The International Petroleum Industry Environmental Conservation Association

OGP - International Association of Oil & Gas Producer

UNEP - United Nations Environment Programme

WCMC - World Conservation Monitoring Centre

PROTEUS - Association comprising the major extracting industries, the UNEP - WCMC and biodiversity protection activity platform

WDPA - World Database on Protected Areas

Repsol YPF's outlook and goals

Conservation and sustainable use of biological diversity are crucial to sustainable development and to achieving Millennium Development Goals relating to poverty, health and the environment.

In 2002, during the Johannesburg World Summit on Sustainable Development, participating states agreed on the need to significantly reduce the level of biological losses by 2010. The Convention on Biological Diversity (CBD, Rio de Janeiro, 1992) was recognised as the main instrument in this area and each state is responsible for conserving its own biological diversity and sustainable use of its biological resources.

The CBD aims to predict, prevent and eliminate at the source the causes of significant reductions or losses of biological diversity. The Convention is based on four essential concepts: conservation and sustainable use of biological diversity; fair and equitable distribution of the benefits of using genetic resources; research, identification, supervision and exchange of information; and finally, education, training and awareness activities.

Despite recent efforts to solve the problem, the measures in place are not enough to reverse current trends. Consequently, it is of the utmost importance that strategies are prepared at all levels (international, national, regional and local) and that measures are taken to promote conservation and sustainable use of biodiversity.

Biodiversity is particularly crucial to the oil and gas industry. Today it is increasingly commonplace for energy resources to be sought and extracted in highly biologically sensitive areas. We are also facing a worldwide growth in energy demand. These factors have combined to put biodiversity management at the top of the agenda for all companies in the energy sector.

At Repsol YPF we recognise the strategic aspect of biodiversity challenges, which offer risks as well as opportunities and need to be included in all the company's relevant decision-making processes.

In recent years the company has reflected deeply on the strategic and management implications of biodiversity, analysing its impact to find the best solutions that strike the necessary balance between conservation best practices and business success for the company. Repsol YPF has managed to identify strategic aspects with direct implications for the business and which guide the company's actions on biodiversity conservation.

A modern approach to biodiversity management

Biodiversity conservation is a priority for society and a challenge that a company like Repsol YPF has to meet while developing its energy projects.

Our projects are often located in highly sensitive environments with a wide range of biodiversity. Local communities frequently depend on this biological diversity for survival. Places where business interests and biodiversity conservation coincide are a very important issue, particularly for exploration and production.

Nevertheless, the challenge is not just to engage in our activities with as little environmental impact as possible. The way forward is to search for working models which allow us to make positive contributions to biodiversity conservation, especially in areas with limited local resources.

In response to this challenge, the company works to integrate biodiversity issues as an important part of our activities. Close co-operation with governments, communities and conservation organizations is vital, together with detailed evaluation of the social and environmental conditions of the areas for each project from the earliest stages. Planning and anticipation are cornerstones of this process, which forms part of integrated project management.

As an example, at present we are carrying out two pilot projects to implement Biodiversity Action Plans in our operations, in both forest (Peru) and marine (Trinidad) environments. The projects follow the good practices established by renowned organizations in the field (IPIECA and OGP), in which we actively participate to help achieve improvements at the industry level.

We also need to continue critical training for all personnel responsible for environmental management in E&P operations, taking on board knowledge from the leading institutions in the field. Only then can we ensure that standards are uniformly applied to all our activities, regardless of country, and achieve the high quality we seek as a suitable response to social expectations.

Robert Wilson

Director of Exploration and Production Quality of Operations, Repsol YPF

Development and conservation: strategic alliances

Biodiversity conservation has to be one of the commitments assumed by companies within the oil sector, particularly regarding projects in sensitive areas.

In practical terms, the implementation of these commitments requires the integration of industry best practices to find innovative solutions to environmental challenges. This goal is achievable through a multidisciplinary approach, ensuring that the project design successfully combines the operating requirements of the business with the particular conditions of the natural and social environments.

In addition to companies' technical capacities, correct decision making requires extensive scientific experience of the environment in which projects are carried out. Joint working models between industry and organizations specialized in conservation and biodiversity represent one of the most effective ways in which this knowledge can be attained. A good example of this can be seen in the agreement between the Smithsonian Institution and Repsol YPF for the integration of good practices into operations performed at Block 39, located in the Peruvian Amazon.

Work through agreements is not always simple and represents a mutual learning process that needs to be guided by a common goal, "the integration of biodiversity conservation in project development". When this goal is supported by firm commitment from both parties and a relationship of trust, there are clear benefits in the quality of the work produced, decisions made with a scientific basis, reductions in operational risk, an improved reputation and better relationships with stakeholders, as their interests and concerns can be better understood.

These projects also represent a great opportunity to communicate the importance of conservation to employees, customers, shareholders and communities in which the company operates, as well as to the general public.



The first step in the company's commitment was the Executive Committee's approval of Repsol YPF's Position on Biodiversity in July 2005. This position recognizes biodiversity as key to strategy and sets out the principles governing the company's activity in this area. Subsequently, biodiversity protection was included in the company's new Health, Safety and Environment Policy, approved in July 2006.

Actions to prevent and minimize the impacts on biodiversity

One of Repsol YPF's priorities is to improve information on natural resources and biodiversity conservation in the areas in which it operates. The agreement to take part in the Proteus project with UNEP – WCMC represented significant progress, as it allowed access to the WDPA, the most comprehensive international database of protected land and marine areas.

Based on this agreement, in 2007 the company started to work on the design and development of Repsol YPF's Biodiversity Information System (SIBRY). This is a geographical information system (GIS) which allows information on WDPA protected areas to be incorporated and combined with data on facilities and other specific information, as geo-referenced data layers.

The development of this project will provide a consistent up-to-date tool for diagnosing environmental risks and biodiversity management, for current projects as well as new areas under evaluation by the company or where its activities are planned.

A list of Repsol YPF's operations in protected areas classified in category I-IV by IUCN (International Union for Conservation of Nature) and main impacts can be found at biodiversity.repsolypf.com

Another priority for Repsol YPF is to prevent and minimize the impacts of its activities, considering the specific characteristics of where the company's installations are located, to conserve and, where applicable, recover the natural environment. Significant projects of this nature carried out in 2007 include:

Supporting Protected Areas through the Proteus Partnership

The Proteus project was created in 2002 as an initiative of UNEP-WCMC (United Nations Environment Programme-World Conservation Monitoring Centre), with the aim of delivering biodiversity knowledge to decision makers in all sectors. The intention was to develop a decentralized knowledge management system that would provide ecological and environmental information and analysis to a wide audience via the Internet.

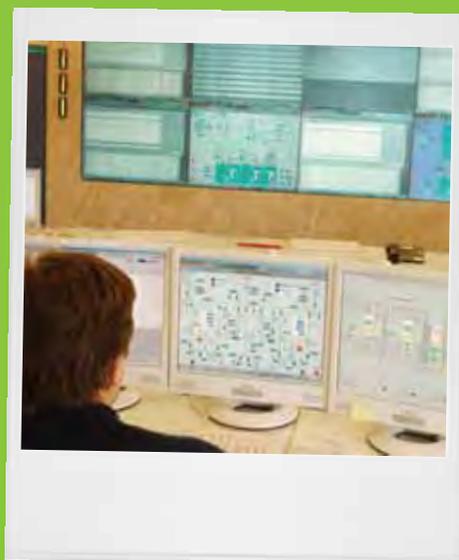
The project was launched in October 2003 with the full support of the private sector including key industry users and leading technology companies. A key objective of the Proteus project was, and continues to be, the protection and conservation of our planet's biodiversity to ensure sustainable growth and social development. The project helps support goals set internationally by the United Nations to reduce biodiversity loss rates by 2010.

In 2006, Proteus was focused to support the redevelopment of the World Database on Protected Areas (WDPA), a joint project of UNEP and IUCN managed by UNEP-WCMC in Cambridge, UK. The WDPA is the only global repository of all terrestrial and marine national parks and protected areas, including international and national sites. The database includes spatial data in the form of maps outlining boundaries as well as descriptive details about each site. This information is of particular importance to extractive industries as the risk profile increases dramatically with activities taking place in sensitive environments.

Today Proteus is a unique platform between the major extraction industries and UNEP-WCMC through which the private sector can support and engage with international organizations, national governments and NGOs to help protect the world's biodiversity. Over the next five years, implementation of the Proteus 2012 plan, approved by the partners, will aim to meet ambitious targets. Examples include the development of improved decision-support tools for the private sector bringing together data on protected areas and endangered species, and the further development of marine and coastal data. Improving national parks and protected areas information remains a top priority.

The task of quantifying changes in biodiversity and reporting on the extent of these changes is urgent, but also complex. The partnership has agreed on the need to prioritise challenges and will continue its work until there is a clear reduction in the rate of biodiversity loss. Proteus partners are focused on the next Earth Summit in 2012 as the primary measure of the results obtained.

By participating in this project, Repsol YPF has taken an important step towards improving the prevention and minimisation of biodiversity impacts as well as establishing alliances with other companies within the sector and prestigious organizations in the field.



- A study to increase knowledge of the potential impacts on biodiversity from activities carried out at the fuel storage and distribution facilities of the company's sales subsidiaries in Spain. The study involved reviewing transport routes from storage centres to the end customer, analysing any inclusion of protected areas. The results obtained were used to establish suitable complementary measures to minimize the risk of these activities affecting the environment.
- An environmental study on the entire Auca Mahuida volcanic area (EATA) in Argentina, with the aim of determining the conditions of the area's most significant environmental indicators, as well as to diagnose and determine their potential/current sensitivity and impact levels. The environmental risks concerning natural processes were analysed and the related prevention, mitigation and monitoring measures to be implemented were established.
- Application of specific standards to protect marine biodiversity in seismic campaigns carried out in Argentina and Brazil. In 2007 the company performed four marine seismic acquisition campaigns which involved five months of work and the use of two seismic vessels equipped with the latest technology, covering a total of 5,594 square kilometres. Through these campaigns Repsol YPF adopted both international and its own internal standards, such as those relating to the use of air cannons in the presence of mammals as well as observing and recording their behaviour. During all the campaigns biologists were present on the logging vessels, monitoring marine mammals living in the area in which the study was carried out, recording all the species sighted (dolphins, whales and sea lions), their number and their behaviour. These studies are a valuable source of information for research into species distribution in offshore areas, as well as their behaviour when faced with marine operations.

Developing Biodiversity Action Plans for the operations held in sensitive areas is one of Repsol YPF's main objectives

The company has published its own version of the "Marine Mammals in South America and the Antarctic" book for distribution to educational centres, institutions and people interested in the sea and its conservation, to help increase our knowledge of marine biodiversity in Argentina and Brazil.

Biodiversity Action Plans, a key tool for biodiversity protection

In accordance with the principle of preventing and minimizing environmental impacts, one of Repsol YPF's main goals is to carry out Biodiversity Action Plans (BAPs), based on IPIECA and OGP good practices, within company operations in sensitive areas.

In 2007 Repsol YPF continued to develop the Biodiversity Action Plan initiated in 2006 for the exploratory activities in Block 39 (Peru). This work was undertaken in collaboration with the Smithsonian Institute, a prestigious international body renowned for its work in this field. A further BAP is also currently underway for offshore operations in Trinidad and Tobago.

Actions to integrate biodiversity into management systems and decision-making processes

One of Repsol YPF's priorities is to equip its professionals with the right tools for them to carry out their activities in line with sector best practices and to incorporate biodiversity protection into decision-making processes.

Two significant milestones undoubtedly marked major achievements in 2007:

- Inclusion of biodiversity objectives and strategic lines in the company's general planning processes;
- Specific regulations to integrate biodiversity into management systems.

The first of these, the inclusion of biodiversity in the company's objectives and strategy, represents significant progress towards incorporating these issues, in terms of risks and benefits, into internal Repsol YPF processes. These objectives reflect the company's Position on Biodiversity and represent an important challenge for future success.

As for the second milestone, in 2007 the company developed a set of regulations to establish the management principles and basic guidelines for action on biodiversity for all Repsol YPF operations. Of particular note is the commitment to carry out Biodiversity Action Plans for projects in sensitive areas.



Biodiversity experts from the company's various businesses helped prepare the aforementioned regulations at the 2nd Repsol YPF biodiversity workshop held in October 2007 in Rio de Janeiro (Brazil). Notable external organizations that collaborate with companies within the energy sector, such as UNEP-WCMC, the Ecocentro Foundation (Argentina) and the SOS Mata Atlántica Foundation (Brazil), participated in the workshop. The meeting was also an opportunity to share information on projects underway in the company's different areas, discuss the main achievements and difficulties and identify new opportunities, projects and specific initiatives in this area.

In 2007 a special workshop was also held in Ecuador, with the collaboration of the Smithsonian Institution, to encourage the integration of biodiversity in exploration and production operations.

Independent Experts Committee - Question 5

Repsol YPF has approved a biodiversity protection policy and designed an action plan for the coming years; however, it operates in some of the most biologically diverse natural parks and protected areas in the world, something which would not be possible in Spain. Does the company plan to reject oil operations in protected areas in the future by applying Spanish standards?

Repsol YPF does not apply different criteria based on the country where it operates and all its activities have to meet the same environmental standards, regardless of location, through compliance with the company's internal regulations.

Repsol YPF is currently developing a set of regulations which establish the company's basic criteria and guidelines for biodiversity management. These regulations require management to determine the sensitivity of areas influenced by operations and to evaluate, project by project, whether operations should proceed in sensitive areas.

Decisions are based on criteria such as the sensitivity of the area, the magnitude of the possible impacts on biodiversity and the extent to which those impacts can be mitigated. In the case of the most sensitive areas, the decision as to whether to proceed with operations or not, falls to the Executive Committee, the highest level of authority within the company.

The regulations also establish general biodiversity-related standards for all the company's operations and stricter standards for those in sensitive areas, including the implementation of Biodiversity Action Plans, to ensure an appropriate environmental performance and minimize impacts.



Knowing the environment is the first step towards better environmental management

For Repsol YPF, knowledge of the area where operations are carried out and monitoring their impacts are extremely important factors when it comes to minimizing the environmental footprint of our activities. Evaluating, selecting indicators and monitoring are three key components for generating the knowledge required to make better decisions. In 2007 a workshop was organised in Ecuador for environment coordinators working on exploration and production operations, to further integrate these aspects into our activity.

The workshop featured explanations of the most effective methods for obtaining a solid baseline and the process of selecting the most suitable indicators to detect and monitor possible changes in biodiversity caused by the company's

operations. Together, these form the basis for defining and implementing best practices for reducing and minimizing the impact on the environment.

The workshop was attended by recognised international experts in the area, professors from the prestigious Center for Biodiversity Conservation, Education and Sustainability of the Smithsonian Institution. The event took place as part of a wider agreement between YPF and the Smithsonian Institution created to include biodiversity issues in our Peruvian operations.

Francisco Dallmeier, Director of the Center for Biodiversity Conservation, Education and Sustainability, Smithsonian Institution, states: "Modern energy development requires companies to include biodiversity conservation and sustainable management as part of their operations. Environment managers need the right tools to implement relevant and solid environmental monitoring programmes that make a positive net contribution to biodiversity. The course in Ecuador was an important step for Repsol YPF's environment managers to standardise their environmental criteria and methodologies to make a significant contribution to sustainable development."

Independent Experts Committee - Question 3

With regard to the environmental restoration projects mentioned by Repsol YPF on page 143 et seq. of the Corporate Responsibility Report (CRR), of which several examples are given (such as the Capachos Block in Colombia), we would like to know how much of the land is being rehabilitated or restored as a percentage of the total areas in which Repsol YPF's social and environmental impact studies have detected ecological impacts. In those areas where projects are underway, what levels of environmental recovery have been reached or are expected?

As mentioned in the corporate responsibility report, restoration or rehabilitation work is carried out by Repsol YPF in those areas where social and environmental impact studies (SEIS) have identified environmental impacts, forming part of respective management plans.

These restoration programmes may also result from Biodiversity Action Plans (BAPs) for new and existing projects in areas that are protected or of high ecological value. Restoration projects are also carried out in areas not directly affected by our facilities.

In all cases, the size of the area to be restored for each project is initially determined and the progress in terms of restored area is monitored, along with the recovery levels achieved. However, at present Repsol YPF does not have consolidated company information on the total restored area and level of environmental recovery.

Participation in research, conservation, education and awareness projects

Education, socio-environmental awareness and research into biodiversity protection are seen as fundamental for bringing society's attention to environmental preservation. Repsol YPF is therefore committed to supporting projects and organizations that promote biodiversity-related research, conservation and awareness.

In 2007, it's worth mentioning the following projects that were carried out in this area:

- Support of the Ecocentro Foundation (Argentina) in a new "elephant seal census" research project in the Valdés Peninsula. The main goals of the project are to prepare a census of this species along 200 kilometres of coast, obtain a reliable and solid profile of the reproductive population and calculate population trends. Continued study will provide solutions to the problems in preserving this species. In 2007 the company also committed to support two of the permanent exhibitions open to visitors at the headquarters of the Puerto Madryn Ecocentre, "*Sombras y ruidos de ballenas*" (Whale shadows and murmurs) and "*El lejano y profundo mar*" (The deep, faraway sea). These installations are visited by 70,000 people each year.
- Continuation of the collaboration between Repsol YPF and the SOS Mata Atlántica Foundation (Brazil). In 2007 the Floresta Repsol plantation was extended with 15,000 new plantings of over 80 different species indigenous to the Mata Atlántica area. The zone selected is located on the outskirts of the Ponte Nova reservoir, which provides 60% of the water supply to the Alto Tietê region, covering six towns and the entire east side of São Paulo.
- The 5th consecutive annual birdwatching day at the ecological reserve at the Luján de Cuyo Industrial Complex (Argentina), where a birdwatching course was given by members of the CRICYT (Regional Scientific and Technological Research Centre), CONICET (National Council for Scientific and Technological Research) and park rangers from the refinery's ecological reserve, as well as representatives from the rural police force and Department of Renewable Natural Resources in the province of Mendoza. Previously, April saw the inauguration of the bird rescue centre, attended by the provincial authorities and pupils from local schools, who have undertaken environmental projects supported by the refinery.
- The essay competition on "our natural resources and the importance of conservation", organised by the YPF Foundation together with Patrimonionatural.com under the slogan "*Para proteger la Naturaleza primero hay que conocerla*" (to protect nature first you have to understand it). The contest was aimed at students in their final three years of secondary education in Argentina.



Information and communication with communities and other stakeholders

Repsol YPF is a member of the biodiversity working group of IPIECA (International Petroleum Industry Environmental Conservation Association), the main objectives of which are to improve biodiversity protection, share best practices and raise awareness of this issue in the oil and gas industry.

The company considers that early participation and consultation with its main stakeholders improves knowledge of local conditions and boosts public support for projects in the long term. Repsol YPF makes its environmental impact assessments (EIAs) publicly available through official bodies in each country in which it operates. The company has also established participative consultation processes with stakeholders in the BAPs that are being developed in Peru and Trinidad and Tobago.

In 2007 the company entered into various agreements with external organizations, the most noteworthy of which are as follows:

- The cooperation agreement signed between Repsol YPF and the National Parks Administration of Argentina (APN) whereby the company will donate fuel for the institutional purposes of the APN within the National System of Protected Areas (SNAP). This agreement is for two years and is automatically renewable for one further year. The agreement includes collaboration work to analyse and study biodiversity through investigations of the animal population, restoration of areas, reforestation using native species, as well as alliances with Non-Governmental Organizations (NGOs) for protection projects, amongst other activities considered necessary for the parks.
- The technical cooperation agreement between Repsol YPF and the Ministry of Environment of Venezuela (MINAMB) for the forest repopulation project in the Boconó Tucupido reservoir system in Portuguesa. The main objective of this agreement is protective reforestation using native tree species from the region, covering a surface area of 20.42 hectares of land located in areas around of the reservoir system.
- Continuation of the collaboration with the Smithsonian Institution, a prestigious and internationally recognised entity for the protection of biodiversity, in the development of a Biodiversity Action Plan for the exploration activities in Block 39 in Peru. The publication of information leaflets related to this project is worthy of note.
- Agreement with the Federal University of Río de Janeiro (UFRJ), the main university of Brazil, for collaboration in R&D projects. This initiative requires the construction of an eco-management laboratory in two years, which will include activities such as research focused on modelling and simulation of environmental problems in the management of oil reserves. This project will be coordinated by a network of researchers from the UFRJ together with Repsol YPF professionals, and encompasses issues such as the conservation of biodiversity in oil drilling and exploration activities, as well as evaluation of the life cycle of material resources used by the oil industry and eco-efficient planning of reserves.
- Agreement between Repsol YPF, the Ministry for Environment and Public Works of Argentina and the Foundation of the Regional Research Centre to monitor oil activity in La Payunia and the surrounding area. The objective of this agreement is the creation of the Payunia Environmental Management Unit known as UGAP.

Reforestation project in Venezuela

Repsol YPF has also participated in different conferences and forums, including:

- Participation in the 2nd Latin American Conference on National Parks and other protected areas held in San Carlos de Bariloche, Rio Negro (Argentina). The company sponsored the workshop entitled "Role of companies in natural protected areas and the conservation of biodiversity". Over 1,900 people attended this conference, including representatives from public and private bodies, members of indigenous organizations and NGOs. The agenda covered key issues such as the impact of large projects and policies on protected areas such as "responsible mining" and the different conservation strategies in communities. Repsol YPF contributed by providing the perspective of biodiversity management in an oil and gas company.
- Sponsorship of the "Companies and social responsibility" international conference organised by the ETHOS Institute, held in Sao Paulo in June. Repsol YPF presented the slogan "*Plante una idea*" ("Propose an idea") to raise awareness of the conservation of the Mata Atlántica area.

In coordination with the Ministry of Environment (MINAMB), Repsol YPF is working towards a technical cooperation agreement for the forest repopulation project in the Boconó Tucupido Reservoir system in Portuguesa (Venezuela).

The main objective of the agreement is protective reforestation as a compensatory measure, using native tree species from the region, in an area of 20.42 hectares around the Bocono-Tucupido reservoir system in the town of San Genaro de Boconoito in Portuguesa.

The selection of this area is in line with the environmental conservation and restoration needs of the environmentally sensitive areas and with the location of the reservoirs in the area of the Barrancas Block.

The project will contribute to restore biodiversity affected in the reservoir system within the polygon of the Barrancas Block, as a result of the use of existing natural resources. Repsol YPF's responsibility to prevent and minimize impacts while respecting biodiversity is not only carried out through protective reforestation using native species, but also as a result of the positive effects this will have on the local ecosystems.



+ information

Corporate Responsibility: corporateresponsibility.repsolypf.com

Position regarding biodiversity: biodiversity.repsolypf.com

United Nations Environment Programme (UNEP): www.unep.org

World Conservation Monitoring Centre (WCMC): www.unep-wcmc.org

Proteus project: proteus.unep-wcmc.org

World Data Base on Protected Areas (WDPA): www.unep-wcmc.org/wdpa

The International Union for Conservation of Nature (IUCN): cms.iucn.org



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Independent Experts Committee's conclusions report

For the second consecutive year, Repsol YPF has enlisted the help of an Independent Experts Committee (IEC) to ensure the transparency of the information contained in the report and to try to ensure thorough responses to the stakeholders' expectations.

Independent Experts Committee Conclusions report

Chairman

Jesús Lizcano Álvarez

Transpareny International Spain
and Professor at the Universidad Autonoma de Madrid

Experts

Juan Carlos del Olmo Castillejo

WWF Adena

María González de Asís

World Bank (WBI)

Beatriz Fernández Olit

Fundación Economistas sin Fronteras

Éva Ramos Pérez-Torreblanca

Fundación Ecología y Desarrollo

Repsol YPF has requested us, with the purpose of knowing, according to the opinion of the people who compose this Committee, if the 2007 Corporate Responsibility Report contains the appropriate information on the issues of more relevance for its stakeholders and other social agents. Moreover, in what measure it reflects an understanding of, and answers their expectations.

For this purpose, we have prepared the following questions for company management, in an independent manner and based on our judgment.

Questions formulated by the Committee to Repsol YPF management

1. Repsol YPF has published that its R&D&i expenses for 2006 as euros 72 million. What percentage of these expenses has been earmarked for projects related to new energy sources, renewable energy resources and/or alternatives to conventional fossil fuels? The company has also stated that it has earmarked euros 2,525 million for projects related to alternative fuels within its R&D programmes. What are the differences for Repsol YPF between R&D&i programmes and R&D programmes, particularly in relation to renewable and/or alternative sources of energy? We recommend that the figures provided are compared with the average for the sector.
2. What global quantifiable greenhouse gas reduction targets has Repsol YPF set for each year with regard to Kyoto Protocol commitments? Have the objectives set for 2006 been met?
3. With regard to the environmental restoration projects mentioned by Repsol YPF on page 143 et seq. of the Corporate Responsibility Report (CRR), of which several examples are given (such as the Capachos Block in Colombia), we would like to know how much of the land is being rehabilitated or restored as a percentage of the total areas in which Repsol YPF's social and environmental impact studies have detected ecological impacts? In those areas where projects are underway, what levels of environmental recovery have been reached or are expected?
4. Has Repsol YPF performed an independent external audit of the environmental and social impact of its activities? If not, does the company plan to perform and publish an audit? Would it be included in the sustainability report?
5. Repsol YPF has approved a biodiversity protection policy and designed an action plan for the coming years which will operate in some of the most biologically diverse natural parks and protected areas in the world, something which would not be possible in Spain. Does the company plan to reject oil operations in protected areas in the future by applying Spanish standards?
6. According to published information, Repsol YPF leads the PiBE project to promote biodiesel in Spain. Given that sustainability is one of Repsol YPF's objectives and that biodiesel is already having a tremendous environmental impact around the world, what certification and verification mechanisms does the company have in place to guarantee its customers that its biodiesel has been produced in a sustainable manner, and particularly that no raw materials have been used that may have been obtained from the destruction of rainforests?
7. With regard to management of human rights by Repsol and its suppliers, why are requirements different for suppliers in Spain compared to other countries? Outside Spain breaches of the core conventions of the ILO (relating purely to labour issues) and other safety and environmental aspects (unspecified) are

During the preparation of this report, the IEC independently drew up a closed list of questions addressed to Repsol YPF's management, based on their own criteria. Subsequently, they issued a report containing conclusions on the adequacy of the answers provided.

The unabridged contents of the IEC's conclusions report appear below.

- considered a cause for rescission of contract. However, subcontractors do not appear to be required to actively comply, as is the case for the documents signed by suppliers in Spain. How is compliance with these standards by suppliers and subcontractors verified?*
- 8. How does Repsol YPF quantify the risks associated with potential human rights abuses in its areas of activity? What regular consultations are carried out with governments and, where applicable, non-governmental organisations and communities, relating to the potential impacts of security provisions on local communities? What type of training do security forces receive to prevent abuses? What internal monitoring does Repsol YPF carry out to prevent possible abuses reported? Which person/position is responsible for the management of human rights at corporate level in Repsol and each of its regional units?*
 - 9. According to the annual report, Repsol YPF and its foundations donated euros 25.4 million to 763 social and cultural programmes focused on healthcare, training, social projects, education, art and culture. Despite being one of the most significant areas affected by company operations the environment is not mentioned. What criteria are applied to approve these projects? Are the priorities of the local populations taken into consideration? What percentage of the above-mentioned amount is applied to support environmental protection programmes?*
 - 10. Why are there so few female directors at Repsol YPF? What measures have been taken to correct that situation? In particular, have initiatives been adopted so that, when new vacancies arise, the Nominations Committee ensures that: a) selection procedures do not implicitly impede the appointment of female directors; b) the company deliberately seeks, and includes among potential candidates, women that meet the professional profile sought?*
 - 11. Page 70 of the 2006 CRR report includes an analysis of pay equality between men and women and indicates inequalities. Are measures being taken to mitigate this inequality? Page 73 refers to 11 improvement measures to facilitate equal opportunities between men and women. One of these measures is to "design a scorecard and monitor the development of women". Will the 2007 report include the scorecard, objectives proposed and results achieved during the first year of the 11 point improvement scheme?*
 - 12. In spite of the reference to the Commitment to the Community Programme, it has not been possible to identify information on specific initiatives planned within the framework of this programme. This Committee recommends that this shortcoming be addressed in the 2007 CRR report. What measures have been adopted by Repsol YPF's management team to identify and improve those aspects within its control to guarantee a balanced contribution to the economic development of the regions where the company operates in emerging economies? Which mechanisms has Repsol YPF implemented to deal constructively with disputes related to its management brought to light by social organisations, media or other organisations?*
 - 13. How much information is gathered on foreseeable trends or contractual and labour relations, social and safety expectations, based on the political situation in certain countries (for example Venezuela, Bolivia, Iran, Argentina, etc.) where Repsol group activities, facilities and companies are located, and the changing position of their governments regarding companies from other countries?*
 - 14. Have the contents of the Extractive Industries Transparency Initiative (EITI), backed by multiple international participants, and therefore the principles, initiatives and questions included in the manual published in various languages by the aforementioned EITI, been effectively taken into account?*
 - 15. When preparing the Corporate Responsibility Report, is the transparency involved, in complete and detailed compliance with International Accounting Standards number six taken into account relating to the identification and explanation of amounts recognised in the financial statements deriving from the exploration for and evaluation of mineral resources separating Assets and Liabilities, Income and Expense and Assets derived from exploration and evaluation of mineral resources?*

As part of the IEC's conclusions, an external opinion has been issued as to whether the information contained in this report deals sufficiently with the issues that the committee members feel are of relevance to the main stakeholders. Nevertheless, it is important to remember that this process does not reflect an evaluation by the committee or its members on the accuracy of the information provided by Repsol YPF, nor on the company's progress.

After having considered Repsol YPF Group's responses to our questions and having studied the content of the company's public information, below is our opinion on the manner in which the issues referred to have been addressed. Under no circumstances does this opinion form part of the external verification process of the report carried out by the independent external verifier.

Conclusions of the Report

When evaluating the situation and activities in the social and environmental areas of an entity such as the Repsol group, it should be taken into consideration that this is a multinational company operating in a considerable number of countries, in which different types of operations are performed (purchases, sales, investments, etc.), and that it is difficult to operate optimally in all countries and activities.

The function of this committee is to evaluate the different social, ethical, environmental and labour issues of this entity that are the most relevant to its stakeholders and other social agents, as well as their treatment in the CRR, in order to bring positive issues to light as well as inconveniences, insufficiencies or issues that could be improved within this business Group's situation and activities in the aforementioned area. Consequently, this committee has made the following comments:

The responses and information contents analysed in connection with the fifteen questions raised by us and set forth above can be divided into three groups or levels of appropriate responsiveness to the questions posed by this Committee:

Firstly, ten questions (nos. 1, 2, 4, 7, 9, 10, 11, 13, 14 and 15) were answered to in an appropriate and coherent manner, providing high quality responses with information related to the question and also supplementary information. Despite this level of quality and appropriateness of the response information to the questions, the Committee members consider that certain specific comments must be made in connection with three of them.

With respect to question no. 1, we recommend that Repsol-YPF include comparative data for the sector in the CRR in terms of R+D+i activities in the renewable energy field.

Regarding question no. 11, we recommend that the company also include information in the CRR on the proposed objectives and the results achieved during the first year of the 11 point improvement scheme in the "Diversity" project and/or their equivalent under the new "Diversity and reconciliation" programme.

With regard to question number 13, the company makes it very clear that it has thoroughly analysed and is extremely aware of the situation regarding the different social and labour relations and risks included in the question. However, the Committee recommends that this information be included in the CRR.

There is a second group of questions (nos. 5, 6, 8 and 12) which in our opinion, have not been adequately responded to or information provided is insufficient. We make certain recommendations in this regard.

This Committee considers that the reply to question no. 5 is sufficient in relation to the procedure implemented by the company. However, the question looks for an institutional stance on future initiatives and decisions to be considered in this field, and in short, whether the company intends to safeguard the protected areas in the regions in which it operates on a similar level to that guaranteed by the government in Spain.

Regarding question no. 6, we consider that an exact answer is not given regarding the source of the company's biodiesel. However, valuable information is provided on research underway to find alternatives that have less environmental impact.

With regard to question no. 8, this Committee considers that the company should expand the information in the CRR on risks and human rights with some of the data provided in response to our question, and increase the information in this report on the company's possible consultations with governments, NGOs and communities, and the information regarding the company's potential internal investigations of possible abuses reported.

The answers to the IEC's questions appear in full in this report as indicated in the "Responses to the Independent Experts Committee" Appendix.

With respect to question no. 12, we recommend that the company include the information in its CRR provided to this Committee on the approach and interaction with communities and environments in which it operates. We also recommend reporting the way the external mailboxes work, where applicable, and/or how the channels used by members of the local communities are utilised. We recommend that the entity also reports its commitment to publicising the number of complaints and queries received.

Finally, the response to question no. 3 is insufficient for the following reasons:

The Committee considers that the question was not adequately answered as it asked for quantification of restoration and to relate this to the level of social and environmental impact in the areas affected. However, the information provided by Repsol YPF does not specify how appropriate the rehabilitation and restoration plans are to correct the damage caused.

Apart from the above-mentioned opinions, shortcomings and recommendations, this Committee welcomes the fact that such a multinational company such as this, clearly exposed to risk in the issues analysed, has been willing to subject itself to a thorough and critical examination, with questions that were often demanding, by Independent Experts Committee such as this one, comprised of members of not-for-profit, academic or supranational entities, who represent to a certain extent civil society as a whole, which acts increasingly as an instrument that oversees and ensures corporate compliance with ethical, social and environmental standards. We also consider that this transparency displayed by certain companies may serve as an example for other companies, with a view to achieving the greatest social and economic transparency which a modern society such as ours demands.

And for it, his Chairman signs on 26 March 2008

(Signed)
Jesús Lizcano Alvarez

Verification report



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Verification Report

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

To the readers of this Report

Introduction

We have been engaged by REPSOL YPF to review the information on environmental, safety, and social practices corresponding to the year 2007, included in its 2007 Corporate Responsibility Report (hereinafter the Report). Preparation of the Report, including identification of material issues, is the responsibility of REPSOL YPF Management.

Scope

In the Report, REPSOL YPF describes the efforts and progress it has made towards a more sustainable development. Our responsibility has been to review the Report, assure appropriate application of both the AA1000 Assurance Standard (AA1000 AS) and the Global Reporting Initiative Version 3 (GRI G3) Guidelines based on REPSOL YPF's level of self-declaration, and offer readers a level of assurance according to the ISAE 3000 (International Standard for Assurance Engagements) standard:

- Reasonable for indicators marked with the "☑" symbol in Annex (Extent of application of GRI recommendations) for which sufficient evidence has been obtained to reduce the risk of a material error to an acceptable level.
- Limited:
 - for indicators marked with the "⊗" symbol in Annex (Extent of application of GRI recommendations).
 - for the information with which Repsol YPF gives answer to the questions asked by the Independent Experts Committee, identified in the Report as indicated in Annex (Responses to the Independent Experts Committee).
 - in relation to the application of the AA1000 AS standard and the GRI G3 Guidelines for A+ level of application whose self declaration has received the confirmation from Global Reporting Initiative.

The level of risk corresponding to the three previous points is higher than that of the reasonable level of assurance due to the more limited nature and scope of the procedures we have undertaken to obtain evidence.

The revision of the above-mentioned information has not included the verification of quantitative data corresponding to the case studies included in the Report.

Review criteria

Our work has been carried out in accordance with the ISAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). Among other requirements, this standard establishes the following:

- The engagement team should possess specific professional knowledge and skills necessary to understand and review the information included in the Report, and its members meet the requirements established in the IFAC Code of Ethics for Professional Accountants to ensure their independence.
- When providing limited assurance on the information, which is a lower level than reasonable assurance, a conclusion limited to the work undertaken is used.

In our revision, the AA1000 AS and GRI G3 Guidelines principles and criteria have been followed, as it is these that REPSOL YPF has applied in the preparation of its Report and whose understanding and application is described in the chapter entitled, "About this report".

Work performed

a) Quantitative information with reasonable level of assurance

We have reviewed the quantitative data marked with the "☒" symbol in Annex (Extent of application of GRI recommendations) of the Report as described in the scope, basing our review on the following activities:

- Interviews with personnel responsible for the systems providing information included in the Report.
- Review of the systems used to generate, aggregate, and facilitate the data.
- Analysis of the information included in the Report.
- Review by sampling of the calculations carried out by business units and at corporate level.
- Review of data generated at 10 sites visited, which represent the company's activities and its geographical field of operation by sampling.

b) Information with limited level of assurance

We have reviewed the information marked with the "☐" symbol in Annex (Extent of application of GRI recommendations) of the Report, as well as the information with which Repsol YPF gives answer to the questions asked by the Independent Experts Committee identified in the Report as indicated in Annex (Responses to the Independent Experts Committee), as described in the scope, basing our review on the following activities:

- Interviews with personnel responsible for providing the information included in the Report.
- Revision that such information included in the Report is adequately supported by internal or third party documentation.

c) Limited review of the alignment of criteria and principles for defining the contents of the Report and its scope based on AA1000 AS and GRI G3 Guidelines

Documentation of the criteria and procedures used to define the contents of the Report has been reviewed in accordance to the described scope.

The criteria for presentation of the aforementioned information in terms of scope, including possible scope limitations, significance, and data integration and aggregation methods based on REPSOL YPF's interests in the different Group companies, are described in general in the appendix, "About this Report," and specifically in the different subchapters on the presentation of environmental, safety, and social related information.

Conclusions

Based on the work described above, the indicators verified with a reasonable level of assurance can be considered to be reliable and representative of their activities. For indicators and information verified with a limited level of assurance, we have not observed circumstances indicating that the data included has not been obtained by reliable means, or that the information is not fairly stated. We have also not identified any significant omissions or differences in the information reviewed.

KPMG ASESORES, S.L.

(Signed)

Julián Martín Blasco

21 April 2008

More information about Repsol YPF's performance

The company's initiatives during 2007 are described in different reports available either at repsolypf.com or through the publication request service:

- Annual Report 2007
- Corporate Responsibility Annual Report 2007
- Corporate Governance Annual Report 2007
- Fact Book 2007
- Shareholders magazine

The information at repsolypf.com completes and expands upon the information in this report. The Corporate Responsibility section contains further information on the issues and case studies.



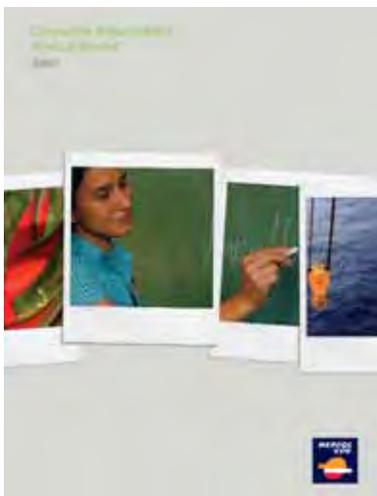
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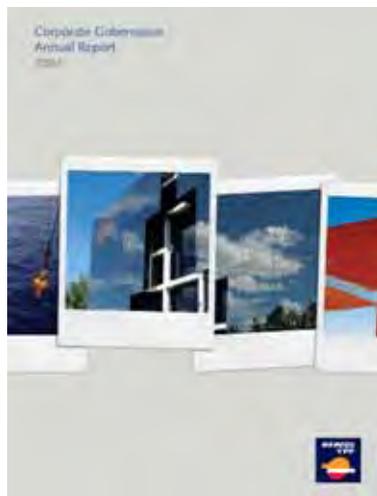
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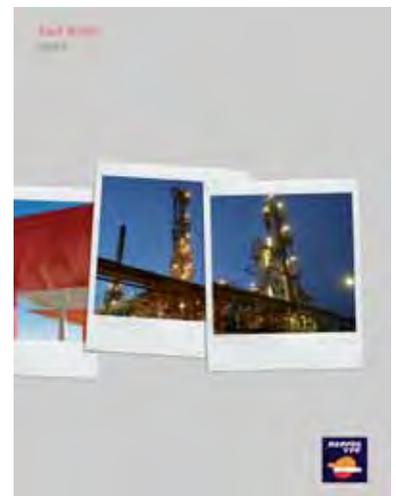
repsolypf.com



Corporate Responsibility
Annual Report 2007



Corporate Governance Report
Annual Report 2007



Fact Book 2007



Appendix

Application of GRI recommendations	179
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Responses to the Independent Experts Committee	188

Application of GRI recommendations

Repsol YPF continues working to improve information on corporate responsibility. This 2007 Corporate Responsibility Report includes the principles and indicators established in Guide 3 (G3) of the Global Reporting Initiative (GRI) for the preparation of sustainability reports.

Keys to reading the index

The column **Section/Indicator** lists contents specified by the GRI for inclusion in corporate responsibility reports. All core and additional indicators on which information is provided are included in this column.

The column **Application** specifies the level of correspondence between the content defined by the GRI and the information presented by Repsol YPF. Total correspondence is identified by the symbol ●; partial correspondence is identified by the symbol ◐ and omission by the symbol ○.

The column **Page** indicates where these contents may be found within this Report, the 2007 Annual Report (A.R. note number) and the 2007 Corporate Governance Report (C.G.R. section).

The column **Verification** identifies those indicators submitted to an external verification process by means of the following symbols: ✓ for indicators verified with a reasonable level of assurance and ◻ for indicators verified with a limited level of assurance, as established in the assurance criteria described in the Verification Report (see page 172). A quantitative C or qualitative Q is also added to determine the type of verification carried out for reasonably-assured indicators.

A reference linking the principles of the United Nations Global Compact with the indicators of the GRI G3 has also been included. The “Making the connection” guide, available on the GRI website (<http://www.globalreporting.org/ReportingFramework/CRAIliance/>) was used to establish these links. This guide aims to combine the efforts of the GRI and the Global Compact in order to prepare the Communication on Progress (COP) reports, using the G3 guide. Information on this connection is included in the Appendix “The United Nations Global Compact, GRI Indicators and Millennium Development Goals”. This table is presented together with its relation to the UN Millennium Development Goals.

Finally, the Appendix “Responses to the Independent Experts Committee” includes the page(s) from the 2007 Corporate Responsibility Report containing those responses given to the Independent Experts Committee as part of that committee’s participation in the Report.

Índice GRI

	Indicator	Application	Verification	Page	Comments
Strategy and Analysis					
1.1	Statement from the most senior decisionmaker of the organization about the relevance of sustainability to the organization and its strategy			2	
1.2	Description of key impacts, risks, and opportunities			6-11	
Organizational profile					
2.1	Name of the organization			cover	
2.2	Primary brands, products, and/or services.			17-19	
2.3	Operational structure of the organization			14-16	
2.4	Location of organization's headquarters			backcover	
2.5	Number of countries where the organization operates, and names of countries with major operations			20-21	
2.6	Nature of ownership and legal form			IGC apdo. A	
2.7	Markets served			17-21	
2.8	Scale of the reporting organization (number of employees, net sales, total capitalisation, etc.)			10-11, 17, 116	
2.9	Significant changes during the reporting period			22-26	
2.10	Awards			27-29	
Report parameters					
Report profile					
3.1	Reporting period			12-13	(*)
3.2	Date of most recent previous report			12-13	(*)
3.3	Reporting cycle (annual, biennial, etc.)			12-13	(*)
3.4	Contact point			12-13	(*)
Report scope and boundary					
3.5	Process for defining report content (determining materiality, prioritising topics within the report, identifying stakeholders)			12-13	(*)
3.6	Boundary of the report			12-13	(*)
3.7	Limitation on the scope or boundary of the report			12-13	(*)
3.8	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.			12-13	12-13 (*)
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.			12-13	(*)
3.10	Explanation of the effect of any re-statements of information provided in earlier reports			12-13	(*)
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report			12-13	(*)
GRI content index					
3.12	Table identifying the location of the Standard Disclosures in the report.			1	
Verification					
3.13	Policy and current practice with regard to seeking external assurance for the report			172-173	Verification report

(*) "About this report" and repsolypf.com

(continues)

	Indicator	Application	Verification	Page	Comments
Governance, Commitments And Engagement					
Governance					
4.1	Governance structure of the organization			14-16	IGC
4.2	Indicate whether the Chair of the highest governance body is also an executive officer			14-16	IGC
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent or non-executive members			14-16	IGC
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.			14-16	IGC
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance			14-16	IGC
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided			14-16	IGC
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.			14-16	IGC
4.8	Internally developed statements of mission or values, codes of behaviour, and principles relevant to economic, environmental, and social performance and the status of their implementation			14-16, 94-96	IGC
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of behaviour, and principles			14-16, 94-96	IGC
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance			14-16	IGC
Commitments to external initiatives					
4.11	Explanation of whether and how the precautionary principle is addressed by the organization			12-13	About this Report
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses			59, 102-104 107, 109	
4.13	Memberships in associations and/or national/international advocacy organizations in which the organization: - Has positions in governance bodies; - Participates in projects or committees; - Provides substantive funding beyond routine membership dues; or - Views membership as strategic			27-29, 58, 107, 109 116-117, 152-158, 163,165	
Stakeholder engagement					
4.14	List of stakeholder groups engaged by the organization			9-10, 25, 55, 66-67, 73, 87, 99, 101, 115, 131, 155, 168-171	
4.15	Basis for identification and selection of stakeholders with whom to engage			9-10	

(continues)

	Indicator	Application	Verification	Page	Comments
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		99-109, 168	IEC
	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting		168-171	
Economic					
Disclosure on Management Approach				6-11, 22-26	
Economic performance					
CORE	EC.1	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	●	✓ ^C	11, 110, 118
CORE	EC.2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●		58-69
CORE	EC.3	Coverage of the organization's defined benefit plan obligations	●	☒	116-118
CORE	EC.4	Significant financial assistance received from government	◐		89-90, 94-95
Market presence					
	EC.5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	●	✓ ^C	117
CORE	EC.6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	●	☒	91-93
CORE	EC.7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	○		During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2008 Report.
Indirect economic impacts					
CORE	EC.8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	●	✓ ^C	22, 105-109
Environmental					
Disclosure on Management Approach				6-11, 22-29, 32-33, 52-53, 129, 134, 152-153	
Materials					
CORE	EN.1	Materials used by weight or volume	●		17-19
CORE	EN.2	Percentage of materials used that are recycled input materials	○		During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2008 Report.
Energy					
CORE	EN.3	Direct energy consumption by primary energy source	●	✓ ^C	69
CORE	EN.4	Indirect energy consumption by primary source	○		During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2008 Report.
	EN.5	Energy saved due to conservation and efficiency improvements	●		52-69

(continues)

	Indicator	Application	Verification	Page	Comments
	EN.6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	⦿		32-51, 52-69, 129-151	
Water					
CORE	EN.8 Total water withdrawal by source	●	☑ ^C	139	
	EN.9 Water sources significantly affected by withdrawal of water	●	☑ ^Q	139.	
	EN.10 Percentage and total volume of water recycled and reused	●	☑ ^C	139	
Biodiversity					
CORE	EN.11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	●		156	(*)
CORE	EN.12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	⦿		152-165	
	EN.13 Habitats protected or restored	⦿		152-165	
	EN.14 Strategies, current actions, and future plans for managing impacts on biodiversity	●		152-165	
Emissions, effluents and waste					
CORE	EN.16 Total direct and indirect greenhouse gas emissions by weight	●	☑ ^C	68-69	
CORE	EN.17 Other relevant indirect greenhouse gas emissions by weight	●	☑ ^C	68-69	
	EN.18 Initiatives to reduce greenhouse gas emissions and reductions achieved	●		52-69	
CORE	EN.19 Emissions of ozone-depleting substances by weight	○			During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2008 Report.
CORE	EN.20 NO, SO and other significant air emissions by type and weight	●	☑ ^C	136-138	
CORE	EN.21 Total water discharge by quality and destination	●	☑ ^C	141	
CORE	EN.22 Total weight of waste by type and disposal method	●	☑ ^C	142-143	
CORE	EN.23 Total number and volume of significant spills	●	☑ ^C	145-146	
Products and services					
CORE	EN.26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●		32-51, 52-69, 129-151	
CORE	EN.27 Percentage of products sold and their packaging materials that are reclaimed by category	○			During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2008 Report.
Compliance					
CORE	EN.28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●		IA notas 20, 37, 39	

(*) In biodiversity.repsolypf.com

(continues)

	Indicator	Application	Verification	Page	Comments
	Transport				
EN.29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	●		67-69, 132-133 136-150	
	Overall				
EN.30	Total environmental protection expenditures and investments by type	●	✓ ^C	151	
	Social				
	1. Labour practices and decent work				
	Disclosure on Management Approach			6-11, 14-16, 22-29, 70-71, 84-85, 111,112	
	Employment				
CORE	LA.1 Total workforce by employment type, employment contract, and region	●	✓ ^C	113	
CORE	LA.2 Total number and rate of employee turnover by age group, gender, and region	●	✓ ^C	113	
	LA.3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	●	☐	118	
	Labour/management relations				
CORE	LA.4 Percentage of employees covered by collective bargaining agreements	●	✓ ^C	90-91	
CORE	LA.5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	●	☐	90-91, IV Framework Agreement	
	Occupational health and safety				
	LA.6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	◐	☐	IV Framework Agreement	
CORE	LA.7 Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	◐	✓ ^C	82-83	
CORE	LA.8 Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	◐		75, 107	
CORE	LA.9 Health and safety topics covered in formal agreements with trade unions	●	✓ ^Q	IV Framework Agreement	
	Training and education				
CORE	LA.10 Average hours of training per year per employee by employee category	●	✓ ^C	75, 125, 136	
	LA.11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	☐	123-124	
	LA.12 Percentage of employees receiving regular performance and career development reviews	●	☐	127	

(continues)

	Indicator	Application	Verification	Page	Comments
	Diversity and equal opportunity				
CORE	LA.13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	●	☑ ^C	113, 127	
CORE	LA.14 Ratio of basic salary of men to women by employee category	●	☑ ^C	119	
	2. Human rights				
	Disclosure on Management Approach			6-11, 14-16, 22-29, 70-71, 84-85, 99, 101, 111-112	
	Investment and procurement practices				
CORE	HR.1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	⦿		84-99	Qualitative only
CORE	HR.2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	⦿	☑ ^C	93	
	HR.3 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	⦿		96-97	Qualitative only
	Non-discrimination				
CORE	HR.4 Total number of incidents of discrimination and actions taken	●	☑	85, 88	
	Freedom of association and collective bargaining				
CORE	HR.5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	●	☑ ^Q	90-91	
	Child labour				
CORE	HR.6 Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	●	☑	85, 88	
	Forced and compulsory labour				
CORE	HR.7 Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	●	☑	85, 88	
	Security practices				
CORE	HR.8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	⦿		96-98	Qualitative only
	Indigenous rights				
CORE	HR.9 Total number of incidents of violations involving rights of indigenous people and actions taken	⦿		85, 88, 105-106	Qualitative only

(continues)

		Indicator	Application	Verification	Page	Comments
		3. Society Disclosure on Management Approach			6-11, 14-16, 22-29, 84-85, 99,101	
		Community				
CORE	SO.1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	●	☑ ^C	99-109	
		Corruption				
CORE	SO.2	Percentage and total number of business units analyzed for risks related to corruption	●	☑	85, 88	
CORE	SO.3	Percentage of employees trained in organization's anti-corruption policies and procedures	◐		85, 88	
CORE	SO.4	Actions taken in response to incidents of corruption		☑	85, 88	
		Public policy				
CORE	SO.5	Public policy positions and participation in public policy development and lobbying	●		89-90, 93-94, 99, 102	
		Anti-competitive behaviour				
		Compliance				
CORE	SO.8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	◐		IA nota 37	
		4. Product responsibility Disclosure on Management Approach			81-82	
		Customer health and safety				
CORE	PR.1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	●	☑ ^Q	81-82	
		Product and service labelling				
CORE	PR.3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	●	☑ ^Q	81-82	
		Marketing communications				
CORE	PR.6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	○			<i>During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2008 Report.</i>
		Customer privacy				
		Compliance				
CORE	PR.9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	◐		IA nota 37	

The United Nations Global Compact, GRI Indicators and Millennium Development Goals

Principles	GRI Indicators (directly relevant)	GRI Indicators (indirectly relevant)	Millennium Development Goals
Human Rights			
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	HR1-9	LA4, LA13, LA14; SO1	Goal 1: Eradicate extreme poverty and hunger Goal 2: Achieve universal primary education Goal 3: Promote gender equality and empower women Goal 4: Reduce child mortality Goal 5: : Improve maternal health Goal 6: Combat HIV/AIDS, malaria and other diseases Goal 7: Ensure environmental sustainability Goal 8: Develop a global partnership for development
Principle 2. Business should make sure that they are not complicit in human rights abuses.	HR1-2, HR8		
Labour Standards			
Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5; LA4,LA5		Goal 2: Achieve universal primary education Goal 3: Promote gender equality and empower women
Principle 4. Business should uphold the elimination of all forms of forced and compulsory labour.	HR7	HR1-3	
Principle 5. Business should uphold the effective abolition of child labour.	HR6	HR1-3	
Principle 6. Business should uphold the elimination of discrimination in respect of employment and occupation.	HR4; LA2, LA13,LA14	HR1-2; EC5, EC7; LA3	
Environment			
Principle 7. Businesses should support a precautionary approach to environmental challenges.	4.11	EC2	Goal 7: Ensure environmental sustainability
Principle 8. Business should undertake initiatives to promote greater environmental responsibility.	EN2, EN5-7, EN10, EN13-14, EN18, EN 21-22, EN26-27, EN30	EC2; EN1, EN3-4, EN8-9,EN11-12, EN15-17, EN19-20, EN23-25, EN28-29; PR3-4	
Principle 9. Business should encourage the development and diffusion of environmentally friendly technologies.	EN2, EN5-7, EN10, EN18, EN26-27		
Anti-corruption			
Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	SO2-4	SO5-6	

Responses to the Independent Experts Committee

Question 1

Page 36

Repsol YPF has published its R&D&i expenses for 2006 as euros 72 million. What percentage of these expenses has been earmarked for projects related to new energy sources, renewable energy resources and/or alternatives to conventional fossil fuels? The company has also stated that it has earmarked euros 2,525 million for projects related to alternative fuels within its R&D programmes. What are the differences for Repsol YPF between R&D&i programmes and R&D programmes, particularly in relation to renewable and/or alternative sources of energy? We recommend that the figures provided are compared with the average for the sector.

Question 2

Pages 60-61

What global quantifiable greenhouse gas reduction targets has Repsol YPF set for each year with regard to Kyoto Protocol commitments? Have the objectives set for 2006 been met?

Question 3

Page 162

With regard to the environmental restoration projects mentioned by Repsol YPF on page 143 et seq. of the Corporate Responsibility Report (CRR), of which several examples are given (such as the Capachos Block in Colombia), we would like to know how much of the land is being rehabilitated or restored as a percentage of the total areas in which Repsol YPF's social and environmental impact studies have detected ecological impacts? In those areas where projects are underway, what levels of environmental recovery have been reached or are expected?

Question 4

Page 135

Has Repsol YPF performed an independent external audit of the environmental and social impact of its activities? If not, does the company plan to perform and publish an audit? Would it be included in the sustainability report?

Question 5

Page 161

Repsol YPF has approved a biodiversity protection policy and designed an action plan for the coming years which will operate in some of the most biologically diverse natural parks and protected areas in the world, something which would not be possible in Spain. Does the company plan to reject oil operations in protected areas in the future by applying Spanish standards?

Question 6

Page 45

According to published information, Repsol YPF leads the PiIBE project to promote biodiesel in Spain. Given that sustainability is one of Repsol YPF's objectives and that biodiesel is already having a tremendous environmental impact around the world, what certification and verification mechanisms does the company have in place to guarantee its customers that its biodiesel has been produced in a sustainable manner, and particularly that no raw materials have been used that may have been obtained from the destruction of rainforests?

Question 7**Page 92**

With regard to management of human rights by Repsol and its suppliers, why are requirements different for suppliers in Spain compared to other countries? Outside Spain breaches of the core conventions of the ILO (relating purely to labour issues) and other safety and environmental aspects (unspecified) are considered a cause for rescission of contract. However, subcontractors do not appear to be required actively to comply, as is the case for the documents signed by suppliers in Spain. How is compliance with these standards by suppliers and subcontractors verified?

Question 8**Page 98**

How does Repsol YPF quantify the risks associated with potential human rights abuses in its areas of activity? What regular consultations are carried out with governments and, where applicable, non-governmental organizations and communities, relating to the potential impacts of security provisions on local communities? What type of training do security forces receive to prevent abuses? What internal monitoring does Repsol YPF carry out to prevent possible abuses reported? Which person/position is responsible for the management of human rights at corporate level in Repsol and each of its regional units?

Question 9**Page 109**

According to the annual notes, Repsol YPF and its foundations donated euros 25.4 million to 763 social and cultural programmes focused on healthcare, training, social projects, education, art and culture. Despite being one of the most significant areas affected by company operations the environment is not mentioned. What criteria are applied to approve these projects? Are the priorities of the local populations taken into consideration? What percentage of the above-mentioned amount is applied to support environmental protection programmes?

Question 10**Page 16**

Why are there so few female directors at Repsol YPF? What measures have been adopted to correct that situation? In particular, have initiatives been adopted so that, when new vacancies arise, the Nominations Committee ensures that: a) selection procedures do not implicitly impede the appointment of female directors; b) the company deliberately seeks, and includes among potential candidates, women that meet the professional profile sought?

Question 11**Pages 122-123**

Page 70 of the 2006 CRR includes an analysis of pay equality between men and women and indicates inequalities. Are measures being adopted to mitigate this inequality? Page 73 refers to 11 improvement measures to facilitate equal opportunities between men and women. One of these measures is to “design a scorecard and monitor the development of women”. Will the 2007 report include the scorecard, objectives proposed and results achieved during the first year of the 11 point improvement scheme?

Question 12**Pages 102-103**

In spite of the reference to the Commitment to the Community Programme, it has not been possible to identify information on specific initiatives planned within the framework of this programme. This Committee recommends that this shortcoming be addressed in the 2007 CSR report. What measures have been adopted by Repsol YPF's management team to identify and improve those aspects within its control to guarantee a balanced contribution to the economic development of the regions where the company operates in emerging economies? Which mechanisms has Repsol YPF implemented to deal constructively with disputes related to its management brought to light by social organizations, media or other organizations?

Question 13**Page 96**

How much information is gathered on foreseeable trends or contractual and labour relations, social and safety expectations, based on the political situation in certain countries (for example Venezuela, Bolivia, Iran, Argentina, etc.) where Repsol group activities, facilities and companies are located, and the changing position of their governments regarding companies from other countries?

Question 14**Page 90**

Have the contents of the Extractive Industries Transparency Initiative (EITI), backed by multiple international participants, and therefore the principles, initiatives and questions included in the manual published in various languages by the aforementioned EITI, been effectively taken into account?

Question 15**Page 18**

When preparing the Corporate Responsibility Report, is the transparency involved, in complete and detailed compliance with International Accounting Standards number six taken into account relating to the identification and explanation of amounts recognised in the financial statements deriving from the exploration for and evaluation of mineral resources separating Assets and Liabilities, Income and Expense and Assets derived from exploration and evaluation of mineral resources?

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