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Yet another year I am pleased to welcome you to this Corporate Responsibility Report of Repsol YPF. This publication, in line with the recommendations of the Global Reporting Initiative’s Sustainability Reporting Guidelines, properly reflects our company’s performance as regards the social, environmental, safety, health or ethical issues of greatest concern for our stakeholders.

We have no doubt that integrity, transparency and responsibility are traits identifying companies with the greatest future and that companies’ market value is increasingly associated with these and other intangibles which are not reflected in traditional financial statements. This is a trend which we feel will be accentuated over coming years, and one that will be a competitive advantage for companies which, like Repsol YPF, are able to read the signs coming from the surroundings and adapt their models of governance and management.

Transparency constitutes a distinctive identifiable trait of our company. We take this to mean the process for publication of full, relevant and understandable information in a standard format enabling all the stakeholders to come to informed decisions. I am thus pleased to point out that our efforts as regards information transparency were acknowledged yet again in 2008 by the Dow Jones Sustainability Indexes and the Climate Leadership Index.
We would like the information that we are making available to the market and our stakeholders to offer quality guarantees. That is why, as we did in previous years, we have made use of an independent third party to review and verify the contents of this report. An Independent Experts Committee was also involved in this process, with the aim of raising questions about corporate responsibility issues with us with absolute freedom and later on assessing our responses. The questions and answers have also been included in this report.

Integrity is another of our salient features. It covers the policies and procedures which we have set up to ensure consistency between our activities and internal and external norms and standards that apply to us or which we have decided to apply to ourselves. An essential part of this task was the work of our Ethics Committee, which continued to monitor strict compliance of the Ethics and Conduct Regulation of Repsol YPF in 2008.

As for the results accomplished, we should stress that 80% of the measures forming part of our Corporate Responsibility Master Plan for 2007–2009 had already been implemented at the end of 2008. During the year, our company passed the policies for Relations with the Community and Relations with Indigenous Communities, and we have made major progress in the management of safety, biodiversity and climate change. In this last field we should stress the attainment ahead of schedule of the strategic target for reduction of greenhouse gas emissions of our installations, which we had set ourselves for up to 2012, and the establishment of a new, even more ambitious, reduction target.

As regards people, I would like to take this opportunity to remind you of our commitment to becoming the company which best manages talent. In 2008 we took some relevant steps in this direction, and in early 2009 we authorised the creation of the General Managing Division of People and Organisation.
In coming decades we must be capable of helping to successfully meet the challenge of developing a new energy model which does not jeopardise the prosperity of coming generations. Companies in the sector will have to contribute if possible even more to satisfying a growing energy demand, reducing the pressure on our surroundings and doing our part to palliate the problem of climate change as well as helping to provide energy to hundreds of millions of people today excluded from enjoyment of this primary asset. Technological progress must play a key role in this challenge.

These challenges will be the aspects marking our company’s future performance. They will also be the cornerstone of our action as regards corporate responsibility and shape our second Corporate Responsibility Master Plan for the 2010–2012 period, which we will approve before the end of the financial year 2009. I would also like to remind you of Repsol YPF’s commitment to the ten principles for action of the United Nations Global Compact, a basic tool for the private sector’s contribution to the social, environmental and transparency challenges faced by companies, governments and citizens worldwide.

Lastly, I would like to ask you to read our Corporate Responsibility Report carefully. This is a reflection of an advanced energy company which is very quickly incorporating society's concerns and expectations, also those of the community of over 36,000 people forming Repsol YPF.

Antonio Brufau Niubó
Chairman and CEO
Our approach

The success in the today companies lies in the capacity to adapt their business models to the growing expectations created around them. The different stakeholders, such as shareholders, employees, public agencies, partners and suppliers, the communities that welcome the companies in their surroundings, the NGOs and the society in general, have understood the influence capacity that can exert to the companies.

Our challenge lies in the ability to listen, to establish a fluent dialogue and to meet our stakeholders’ demands, and that is what we try to cover in this Corporate Responsibility Report. The following pages capture how we tried to give an answer to our stakeholders' expectations and explain how we face, concerned issues to the society and also, to us as a company.
## Relevant issues depending on different social expectations

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<th>Expectations in emerging communities</th>
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<td><strong>New energy challenges</strong></td>
<td>Development of new technologies, fuels and energy vectors. Focus on the efficiency of products and management of demand.</td>
<td>Transfer of knowledge and new technologies. Meeting a growing demand.</td>
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<td><strong>Climate change</strong></td>
<td>Focus on process and product efficiency. Response to growing regulatory intensity.</td>
<td>Transfer of technologies enabling cleaner development. Meeting the growing energy needs of customers with fewer resources.</td>
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<tr>
<td><strong>Commitment to safety</strong></td>
<td>Extension to the supply chain. Staff training. Compliance with regulations.</td>
<td>Transfer of procedures and best practices available. Extension of the safety culture.</td>
</tr>
<tr>
<td><strong>Ethical conduct</strong></td>
<td>Adoption of standards and monitoring these throughout the value chain. Information transparency in issues such as Human Rights.</td>
<td>Transfer of procedures and best practices available. Leadership by our example as compared with suppliers and local companies. Compliance with legislation and contribution to institutional development.</td>
</tr>
<tr>
<td><strong>Dialogue and cooperation with the community</strong></td>
<td>Contributing to compliance with Millennium Development Goals and to alleviating social problems not catered for.</td>
<td>Supporting underprivileged groups. Fair distribution of the benefits of development. Creation of social awareness on environmental and social issues. Education for sustainable development. Management of relations with local communities. Development of initiatives for the base of the pyramid.</td>
</tr>
<tr>
<td><strong>Our people</strong></td>
<td>Safety and health at the workplace. Response to new challenges such as equal opportunities or the ageing population.</td>
<td>Creation of quality jobs. Promotion of social and environmental awareness of employees. Assurance of health and safety.</td>
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</tbody>
</table>
The company you want

We have become firmly established as one of the most important international companies in the oil and gas industry. Our role is to transform the resources in the subsoil into well-being, while respecting the environment. Our businesses are a major driving force behind the development of the communities that welcome us.

We have taken on the commitment to supply energy with responsibility, which means that values of sustainability, social development and respect for the environment have to form a substantial part of our growth plans.

To achieve our ends, we make a determined commitment to research and development of new technologies. We have the knowledge and the resources needed to help to make energy something within everyone’s reach. We are exploring in locations that are increasingly complex, sensitive or difficult to access, and carrying out research into new sources of energy, such as algae or hydrogen, to provide the energy that our society needs and at the same time face up to the challenges of climate change.

Our social commitment is based on an efficient, modern, profitable business management, which fosters respect for Human Rights, people’s safety and good relations with communities.

We care about people’s concerns, with their local particularities in each of the different geographical areas in which we operate. We aspire day by day to be worthy of their trust, putting into practice measures reducing the social, environmental and ethical threats that any big company has to tackle.

We are committed to ethical conduct in our business model as a competitive advantage in a sector working in increasingly complex and diverse contexts. We believe that working transparently helps us to be seen by society as an agent creating shared value, whose efforts also fight poverty and social exclusion.

The values that we promote and the way we want to work would be worthless without our people’s endeavours to attain excellence. Our staff forms a great team, made up of women and men with all kinds of geographical origins, knowledge and ages, reflecting the diversity of the communities which take us in, and which incorporates vulnerable groups such as people with different capabilities.

We seek to be a good place to work, where the best professionals can find their career aspirations fulfilled under the principles of equal opportunities and meritocracy.

We believe that these values are those of the company you want, ones that foster our customers’ faithfulness, ones that are worthy of the community’s trust and loyalty towards the company by all those working at this, and we are referring to all these values when we talk about Corporate Responsibility.
Our sustainable development milestones in 2008

We are striving to improve our responsible practices. Below are some of our main accomplishments in 2008 and some of the main indicators enabling us to value our performance in matters such as transparency and respect for the environment.

Strategic Plan 2008–2012
Intended to put us in a leading position as regards transparency and corporate responsibility, the Plan lays down the overall lines of action to enhance our results and competitive position. It includes five major projects in the Upstream area, which will significantly increase our oil and gas production. It also considers new investments to optimise the efficiency of the present fields and increase the recovery of hydrocarbons.

Best practices in the Stock Exchange Market sphere
In November 2008, the Repsol YPF’s Board of Directors passed an amendment of the Conduct Internal Regulation in the scope of the Stock Exchange Market, to adapt it to the current legislations and to incorporate best techniques and practices. Among the novelties is the prohibition to the persons with access to privileged information to do any operation within the 15 days prior to the results presentation and also the day after it.

Investments to protect the environment
In 2008 investments in the environment rose to 263 million euros. As in previous years, some of the most noteworthy investments made are the ones required to attain the environmental quality of the oil products demanded in new Spanish and Argentinean regulations, coming to a total sum of 56 million euros. The investments intended to assess, reduce and control contaminating emissions were also significant, such as the ones meant to protect the atmosphere, the water medium and underground waters.

Reduction of greenhouse gas emissions
With the drop in 166,837 tons of CO$_{2}$eq in 2008, we have exceeded our annual target for a reduction of 150,000 tons and reached, four years ahead, the strategic objective set for reduction of one million tons of CO$_{2}$eq over the 2005-2012 period. We have consequently reassessed our strategic objective, establishing a reduction of 2.5 million tons of CO$_{2}$eq for the 2005-2013 period in respect of the business as usual scenario.

Recognition of our performance
Repsol YPF’s strategy in view of climate change is one of the most advanced in the world, and the fact of being the only company to remain for the third consecutive year among the three best firms in the sector in the Climate Leadership Index (CLI) vouches for this very clearly. Furthermore, also for the third year on running, we are included in the Dow Jones Sustainability World Index and the Dow Jones Sustainability STOXX Index, obtaining the top rating in areas such as transparency, relations with the community, relations with customers, occupational health and safety, environmental management, strategy against climate change and biodiversity.

A cutback in our accident rate
Accident frequency rates, with a reduction for our own staff and integrated personnel (our own personnel plus subcontracted staff), dropped 26% and 25% respectively, in respect of the previous year, complying with the annual and strategic objectives set by the company for 2012.
Assuring the health and environment protection

In order to comply with the principles of the regulation REACH, of registration, evaluation and authorization of chemical products, of all our products, we have headed during the year 2008 a work plan for the prerecord of substances hold to this regulation and we have coordinated the preparation of the registration dossiers in industrial consortiums as CONCAWE and EUROBITUME, among others.

Citizen participation

During the month of February 2009 we have placed in motion an Advisory Public Panel in the locality of Puertollano (Spain) in order to open a permanent communication way with Puertollano society. It is constituted for three representatives of Repsol YPF and fifteen external persons of different society sectors. The creation of this civic forum will permit us to open a new channel of credible and effective communication with the most nearby society to deserve confidence and improve the perception of the petrochemical industry by the population.

Suppliers’ management system

During 2008 we destined to purchases and contracting approximately 8,637 million euros. To get an appropriate and unified management we set in motion the SISPRO system. It incorporates all the information generated in the processes of qualification or endorsement, performance evaluation, development and suppliers planning.

Environmental awareness among our customers

We want the caring of the environment in all the life cycle of our products. In that sense, we are promoting, among others, initiatives such as the establishment of a culture of energy savings among our customers through the distribution of more than 3 million vouchers giving advice in how to save fuel with a responsible driving.

Cooperation with the community development

In 2008 we destine together with our foundations 30 million euros in education and formation projects, of community development, protection and environmental care, social integration, health and cultural sponsorship in Latin America, Spain and other regions. Furthermore, we contemplate the support of community organizations, infrastructures construction, assignment of micro-loans and support to the creation of businesses.

Excellent people management

The newly created Corporate Division of Management Development, sets out to make us the company which best handles talent and best prepares its management team to attain the strategic objectives set through a cultural transformation and new style of personnel management.
Some key indicators in Corporate Responsibility

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social investment, (thousand euros)</td>
<td>22,671</td>
<td>25,455</td>
<td>32,302</td>
<td>29,894</td>
</tr>
<tr>
<td>Integrated Lost Time Injury Frequency index (own staff and contractors)</td>
<td>3.1</td>
<td>2.6</td>
<td>2.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Investment in training, (thousand euros)</td>
<td>11,039</td>
<td>12,815</td>
<td>16,913</td>
<td>17,905</td>
</tr>
<tr>
<td>Voluntary turnover rate</td>
<td>2.27</td>
<td>2.18</td>
<td>2.83</td>
<td>2.74</td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct equivalent CO2 emissions, (million tons)</td>
<td>26.19</td>
<td>26.96</td>
<td>27.40</td>
<td>26.55</td>
</tr>
<tr>
<td>Atmospheric Emissions (SO2, NOx, CO, Particles, COVNM) (tons)</td>
<td>266,520</td>
<td>264,411</td>
<td>275,913</td>
<td>253,681</td>
</tr>
<tr>
<td>Environmental investments, (million euros)</td>
<td>313</td>
<td>180</td>
<td>195</td>
<td>263</td>
</tr>
<tr>
<td>Hydrocarbon spills affecting the land, (tons)</td>
<td>1,829</td>
<td>1,490</td>
<td>919</td>
<td>776 (1)</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments, (million euros)</td>
<td>3,713</td>
<td>5,737</td>
<td>5,373</td>
<td>5,586</td>
</tr>
<tr>
<td>Investment in R+D, (million euros)</td>
<td>55</td>
<td>72</td>
<td>77</td>
<td>83</td>
</tr>
<tr>
<td>Processed crude oil, (million tons)</td>
<td>55.3</td>
<td>56.1</td>
<td>56.9</td>
<td>55.6</td>
</tr>
<tr>
<td>Crude oil produced, (million barrels)</td>
<td>425</td>
<td>402</td>
<td>379</td>
<td>348</td>
</tr>
<tr>
<td>Taxes paid, (million euros)</td>
<td>14,172</td>
<td>15,218</td>
<td>15,667</td>
<td>16,341</td>
</tr>
<tr>
<td>Net profit, (million euros)</td>
<td>3,120</td>
<td>3,124</td>
<td>3,188</td>
<td>2,711</td>
</tr>
</tbody>
</table>

(1) The data for 2008 does not include spills due to causes beyond the company’s control. For further information, please see the section “We prevent and minimise soil contamination” in the chapter “Environmental management and efficient use of resources”.
### Master Plan Structure

<table>
<thead>
<tr>
<th>STRATEGIC VISION</th>
<th>STRATEGIC PLAN 2005–2009</th>
<th>STRATEGIC OBJECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To put the company among the most admired industry companies in the geographical scope of its activities.</td>
<td></td>
</tr>
<tr>
<td>CORPORATE RESPONSIBILITY MASTER PLAN 2007–2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transversal Plans</td>
<td>Good governance and ethical behaviour</td>
<td>Attracting and retaining talent</td>
</tr>
<tr>
<td>Control and monitoring plan</td>
<td></td>
<td></td>
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<tr>
<td>Training plan</td>
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</table>

### More commitments achieved

This Plan includes nine programs grouped into six strategic lines with specific commitments involving our corporate areas and business units. A further three transversal programs span the six strategic lines and envisage aspects connected with training, performance and communication. The action covered in the Plan is intended to position us as one of the most highly regarded companies in the area of corporate responsibility.

In 2008, now the triennial halfway point has been passed, we have managed to fulfil over 80% of the measures included in the Plan. We have updated reputation, ethical and social risks in our risk management systems. In the same way, we have progressed in the study of indicators to use in overseeing good governance of the company.

We have carried out measures to foster processes and tools for professional development and recognition of merits of our employees, and to review and define our commitments to gender diversity and reconciliation of family and working lives.

In order to improve accident rates, we have taken measures focused on the identification and analysis of industrial risks, the incorporation of good practices, and the promotion of a prevention culture.

As regards the environmental impact of our operations, we implemented measures aimed at establishing improvement schemes in the field of the environment, fostering control and follow-up of past environmental; establishing energy efficiency plans, and our Carbon Plan.

Regarding the impact of our products, we have carried out measures designed to improve the efficiency of processes and satisfaction of the needs detected in the different market segments.

We have also established objectives on our customers’ degree of satisfaction and we move forward in our commitments to local communities with the development of the policies of Relations with the Community and Relations with Indigenous Communities and the development of a cooperative work platform and reporting.

The Corporate Responsibility Master Plan 2007–2009 steers and coordinates our endeavours to integrate these values in our mission to create value.
Managing the long future of oil and gas

Studies show that fossil fuels (oil, gas and coal) will continue to be the dominant energy source on the 2030 horizon.
The percentage of the total energy available from fossil fuels will be similar or moderately under the present level, which stands at around 80%.

We are aware that the challenge facing energy companies is to ensure a reliable and affordable as well as sustainable supply to meet the growing demand for energy and guarantee social well-being, respect for the environment and economic progress in the world without jeopardizing future generations’ opportunities.

We believe that the future’s different energy scenarios will be determined by the capacity for economic and demographic growth and at the same time by the success of CO2 emission reduction policies.

The only way to mobilise the investments needed in resources and new technologies to guarantee a sustainable environment-friendly energy supply is to ensure close cooperation between governments and industry and a more effective integration of international and regional markets. According to the estimations of the International Energy Agency, the investments needed should reach 26 billion dollars until 2030, around half of which will have to be met by the oil and gas sector.

Our view is that in the future we should develop and apply, more and more intensely, new technologies for exploring and producing non-conventional reserves or sites in complex locations. A good deal of the oil will stem from improved recovery processes of conventional crude oil in mature sites, from non-conventional crude oils, such as extra-heavy ones and from bitumen shales or tar sands, and from the ones extracted in areas that prove complex, sensitive and difficult to access, such as the sites located under deep waters and in Arctic areas.

Society’s expectations and the legal requirements in the environmental and social area will be increasingly strict in oil production and transformation. One effective response to these expectations could be technologies and systems for capturing and storing CO2. The present refining systems, with no great technological changes in their principles and design, will need specific developments to improve their energy efficiency, associated with a sustained reduction of emissions, and will evolve to adapt their technologies to increasingly heavy crude oils without ignoring the increasingly demanding improvements in the quality of products.

As for gas, a good deal of its development will depend on non-conventional reserves, such as the gas in highly permeable sites, methane in carbon sites or the gas found in shales, considered to be more plentiful than conventional reserves. The international trade in gas in the coming years will be driven by liquefied natural gas technologies, although major investments will need to be made in infrastructures. We think that there are good opportunities for the development of floating liquefaction technologies, enabling small-sized reserves.
to be produced, associated gases and early production in big fields, and for technologies transforming natural gas into liquids, mainly gasoline for motor vehicles.

**Contributing to diversification and energy efficiency**

We are carrying out pilot or commercial-scale projects on different sources of renewable energy which we consider to be of great importance in the struggle against climate change.

We are performing research programs into biofuels throughout the value chain in order to extend the future supply of advanced second-generation biofuels made from non-foodstuff and lower-cost raw materials.

One of the most innovative lines of our R+D as regards biofuels involves technologies for growing microalgae as raw material for obtaining biodiesel, which could also constitute a very efficient drain for absorbing CO₂ emissions from the company’s refineries.

We do research into the use of hydrogen as an alternative to electric mobility, competing with the development of mains-rechargeable batteries for plug-in vehicles. We consider that the commercialisation of this type of vehicles will not start until after 2020, mainly for use in urban fleets. If the current technological uncertainties of hydrogen as a fuel for transport manage to be solved its use could however extend exponentially. The most economic technologies for producing hydrogen will be the gasification of coal or reforming of natural gas, although the sustainability of these sources will very much depend on the development of technologies for capturing and storing CO₂.

We believe that energy efficiency, understood as consuming only what is strictly necessary without relinquishing development and well-being, is in the short term the alternative with greatest potential for impact on reduction of CO₂ emissions. This channel means an “additional source” of energy in the present energy patterns and only depends on the application of technologies available today, such as the improvements in cooling and isolation systems and on a change in our consumption patterns.

Energy efficiency in transport will come about through the improvement in internal combustion engines, which will cut down their consumption considerably and adapt to the increasingly demanding environmental regulations, and through the emergence of hybrid vehicles which will help to make these more efficient. Electrification with batteries or fuel cells offers a potential for large-scale introduction in the long term.

We will be at the forefront of all these technological challenges in the coming years.
Milestones in the 2008-2012 Strategic Plan

Significant organic growth

New group structure with a more balanced portfolio

Sound financial position and improvement in the environment for the shareholder

A responsible and well-prepared organisation

Leading in transparency and corporate responsibility

Improvement in results and strengthening of competitive position

Lower exposure to risk
Our strategy and performance in 2008

We are aware of the responsibility involved in working with limited natural resources, and of the commitment meant by creating value for hundreds of millions of people in the countries in which we are working.

[In 2008 we obtained a net profit of 2,711 million euros, 15% lower than 2007. The outcome of operations was 5,083 million euros and the earnings before interest, tax, depreciation and amortisation (EBITDA) reached 8,160 million euros.]

**Strategy for growing responsibly**

The 2008-2012 Strategic Plan lays down the major lines of action to improve our results and competitive position. It incorporates a new vision of the group in which the Upstream, Downstream and LNG areas constitute the core of our business, to which we should add our strategic holding in the operated shareholding company YPF and in the independently managed company Gas Natural.

One of the milestones marked by the Plan is to assume a position as leaders in transparency and corporate responsibility, which forces us to make efforts to deserve the recognition by our stakeholders and markets.

**The 2008-2012 Strategic Plan includes five major projects in the Upstream area.**

The development of these and other major projects, along with the recent discoveries in Algeria, Bolivia, Brazil, Libya and Peru, will significantly increase our oil and gas...
production, to the extent of exceeding 400,000 barrels per day in 2012. We will also assign our investments to optimising the efficiency of the present fields and increasing hydrocarbon recovery.

In the Downstream area, the 2008-2012 Strategic Plan pursues consolidation and expansion on the Iberian Peninsula with three large-scale projects.

The first of these is the extension of the refinery in Cartagena, Spain. This will enable doubling the production capacity, up to 11 million tons per year, and reducing the diesel deficit on the Spanish market. The project forms part of our program for adapting installations to the production of clean fuels for transport and biofuels. The second is the construction of a new coker at the Muskiz refinery in Bilbao, Spain, which will enable greater hydrocarbon conversion capacity.

Lastly we intend to extend the Sines petrochemical complex in Portugal.

Discovering and extracting hydrocarbons: Upstream

Upstream covers the range of activities of exploration, development and production of hydrocarbons. Exploration means the search for oil and gas in the earth’s crust, both on land and at sea. In this phase we carry out work on geological studies, geophysics and perforation of wells, to establish the existence of hydrocarbons in sufficient amounts to be exploited and marketed.

Our Upstream business is present in over 25 countries and produces more than 122 million barrels of oil equivalent per year or 333,721 barrels of oil equivalent per day.

Our exploration work led in 2008 to a total number of ten new discoveries in Algeria, Brazil, Colombia, Libya and Peru.

In Algeria, we made four finds, two in the Reggane basin and a further two in the M’Sari Akabli block.

In Brazil, we discovered a second oil field in deep waters in the Santos basin, known as Guará and beside the Carioca field. In 2009 we did the work necessary for defining the exact dimensions of both sites with greater accuracy.

In Colombia we made three new discoveries, two in the Cosecha block and the third in the Capachos block.

In Libya we made a new find in the Murzuq basin.

In Peru we made a discovery in block 57 located in the administrative area of Cuzco. The large size of the site indicates the existence of around 36,000 million cubic metres of gas.

Making the most of each barrel of oil: Downstream

Downstream activities are refining oil, petrochemistry, and the distribution and marketing of oil-based products. Oil is one of the most valuable and necessary energy sources for our society. Our downstream processes are implemented so as to take the greatest advantage of crude oil in order to transform this into products essential for everyday life.

We process hydrocarbons in our refineries and petrochemical plants and turn these into products for our customers.

In 2008 we sold around 3.5 million tons of LPG, including YPF production.

Liquefied Petroleum Gas (LPG)

LPG is a major source of energy with great growth possibilities. It has many advantages: it is clean, efficient, economical, versatile, accessible and very easy to transport.

We are the leading LPG company on the Iberian peninsula and Latin American and also leaders in operation productivity, with 1,700 tons per employee in Spain.

We are the third biggest private company in retail distribution of LPG in the world, with a presence in ten countries in Europe, northern Africa and Latin America. In sales of butane and propane, we come fourth in the world ranking.

In 2008 we sold around 3.5 million tons of LPG, including YPF production.
We run six refineries and three chemical plants, at which we transform over 39 million tons of crude oil into a wide range of products, such as gasoline, diesel, lubricants, butane and propane, plastics and resins, asphalts, rubbers and fertilizers, among many others.

We distribute and market these products through an extensive sales network which includes around 4,400 service stations and over ten million butane and propane gas customers in different countries in the world.

In the Downstream area we are a world reference with an accredited career in value creation.

**YPF**

We have a strategic holding in YPF, a leading energy company in Argentina and the top oil and gas producer in the country with an extensive network of oil, gas and multi-purpose pipelines and a high conversion capacity.

With YPF we produce over 225 million barrels of oil equivalent per year, or 619,173 barrels of oil equivalent per day.

In 2008 we made five new discoveries of oil and a further one of gas through YPF. Four of these are located in the Neuquina basin, the fifth in the Austral basin and the last one in the Golfo de San Jorge basin.

YPF leads the marketing of a wide range of high quality products, through a network of 1,678 service stations and a petrochemical business that is fully integrated with Upstream work and refining.

**Gas Natural SDG**

Through our 30.9% interest in Gas Natural SDG, we are present in the whole gas value chain, right from supply to distribution and marketing.

Gas Natural SDG boosted its operating profit by 7.6%, reaching 555 million euros.

In 2008 the processes required for purchasing Unión Fenosa were got under way. This purchase implied a significant step forward in the development of Gas Natural SDG and in its strategy to become a leading gas and electricity company.

**Liquefied Natural Gas (LNG): an opportunity with a future**

LNG is natural gas processed to be able to be transported in liquid form to areas far from the production centres.

Today it represents the third biggest energy source worldwide and the demand for it will increase in coming years, above all in Europe and North America.

The LNG activities include supply, storage, transport, distribution and marketing, as well as participation in projects for generating and marketing electricity with natural gas.

We are the third biggest world operator for supplies of LNG through “Stream”, a mixed company of Repsol YPF and Gas Natural, which has a fleet of 14 ships and a flexible contract portfolio.

The 2008-2012 Strategic Plan envisages the development of two key LNG projects: Peru LNG (Peru), which will supply a plant in Manzanillo, on the west coast of Mexico; and Canaport (Canada), whose geographical location proves most advantageous for supplying the markets in north-eastern United States and the east of Canada. This plan is intended to multiply our marketing volume of LNG by four.

We also have a major stake in the Atlantic LNG plant, in Trinidad and Tobago, which enables us to supply 2% of the world liquefaction market with a major competitive advantage in the United States, Caribbean and Europe.

In Spain we have a holding in the regasification plant of Bahía Bizkaia Gas, in Bilbao.

We also continue to develop the integrated Persian gas LNG project (Iran) with our partners, still awaiting a final investment decision for this.

In Angola, along with Gas Natural, we signed an agreement with the national company to carry out the first work for undertaking an integrated gas project.
Repsol YPF around the world
The countries identified on the map point Repsol YPF’s presence to December 31st 2008. However, Repsol YPF’s presence in these countries does not necessarily reflect the coverage depicted in the chapter “About this report”.
About this report

This Report has been drawn up according to strict guidelines such as those of the Global Reporting Initiative, a key tool to enable making known and giving a response to the concerns and demands of the main stakeholders.

Principles for drawing up the Report
This report appropriately reflects the material information about the performance of Repsol YPF as regards corporate responsibility during 2008. The contents of the report are completed with the information included in repsol.com in the Corporate Responsibility Section.

This Report should be read along with the other corporate information that has been drawn up for the financial period 2008. This includes the Annual Accounts Report and the Management Report, where we go further into strictly economic-financial management; the Annual Corporate Governance Report, in which we concentrate on information about the operation of our Company’s governing bodies and other information given in repsol.com.

This Annual Corporate Responsibility Report 2008 has been drawn up in line with the G3 Guidelines of the Global Reporting Initiative (1) and AA 1000 (2) standard. We have also taken into consideration the guidelines of the guide for the oil and gas sector drawn up by the International Petroleum Industry Environment Conservation Association (IPIECA) and the American Petroleum Institute (API).

G3 GRI Guidelines
Global Reporting Initiative (GRI) is an extensive network of experts present in dozens of countries all over the world for the development of a global reporting framework which lays down the principles and indicators which organisations should use for gauging and reporting their economic, environmental and social performance.

The G3 guidelines for preparing sustainability reports consist of a set of principles with the aim of defining the contents of the report and guaranteeing the quality of the information disclosed. They also include the so-called basic contents, which are made up of the performance indicators and other sections as well as a number of standards on technical aspects connected with drawing up reports.

AA 1000
The AA 1000 Standard is a generally applicable standard for assessing, bearing witness to and reinforcing the credibility and quality of an organisation’s sustainability report and its main processes, systems and competences. It also provides guidance on the key aspects of the assurance process. The principles on which it is based are inclusiveness, exhaustiveness, relevance and response capacity.

Inclusiveness
At Repsol YPF we take it upon ourselves to identify and understand the social, environmental and economic impacts of our activities and to consistently respond to the expectations of our stakeholders. That is why we have drawn up our 2007-2009 Corporate Responsibility Master Plan, by means of which we steer and coordinate our initiatives to integrate these values in our mission to create value. The Plan includes nine programs grouped into six strategic lines, with specific commitments involving our corporate areas and business units, apart from three transversal programs. In the framework of the Master Plan we have in particular designed the Program for Ethical Conduct in our Relations, with a more global strategic approach. This program represents a framework for the conduct that we seek in our employees, in the relationships with different stakeholders. Another one is the Program of Commitment with the Community, which guides our company’s relations with the societies in which we work.

Exhaustiveness
As regards the principle of exhaustiveness, the policies drawn up as part of the 2007–2009 Corporate Responsibility Master Plan form part of a legislative body enabling us to find out the reality of the settings in which we do our work. Including issues in our reporting system is also in accordance with the materiality principles established in line with procedures designed for this purpose.

Identifying and consulting the main stakeholders is furthermore a central activity in planning and materialising our activities directly or indirectly connected with the business. We have the tools required for relations with stakeholders to be effective, fluid and standardised in the whole company. In this respect we should stress consultancy with stakeholders in preparing the Environmental and Social Impact Assessment (ESIA) or other activities, such as the widespread process of consultancies.
with NGOs and external experts in drafting the policies for Relations with the Community and Relations with Indigenous Communities.

Furthermore, to comply with the expectations and respect the cultural diversity of our environments, we have a team of professionals in all the countries where we work whose job is to find out the expectations of local communities and prioritise our replies by applying their local sensitivity along with the company’s general criteria. We are thus making progress in developing standards enabling us to have a common action framework to align the activities of relations with our stakeholders according to the objectives established, the risks identified, any local endeavours under way and resources available. As an example of this we should stress the preparation of common action protocols in the upstream activities with the aim of each business unit preparing a Plan for Relations with the Community to ensure stakeholders’ support.

Relevance
We carry out detailed materiality studies in order to identify and justify any matters of interest to our stakeholders which thus constitute a risk for our reputation and trust in the company. The reply to these matters effectively guides our approach as regards planning and reporting in corporate responsibility.

As a complement, the materiality study for 2008 appraises a number of potentially relevant aspects, the conclusions of Independent Experts Committee from several companies in the sector and the analysis of risk per country.

What is more, this year we have for the first time gone deeper into the analysis of the issues identified as being relevant, as far as the identification and detailed, quantitative and qualitative analysis of sub-issues (e.g. issue: climate change; sub-issue: reduction objectives). We have made the following analyses for each of the sub-issues identified:

• A quantitative analysis made on the basis of considering sub-issues in the press and on a number of sector opinion leaders and NGOs chosen ad hoc for each area.
• A qualitative analysis, carried out analysing the best practices of the main companies in the sector and the questions brought up by the experts’ committees of companies selected in materiality and the recommendations of the Sustainable Asset Management drawn from the benchmark survey on the results of Repsol YPF on the Dow Jones Sustainability Indexes 2008.

We are also accustomed to managing projects from the approach of the risks that these entail. This approach may be useful when the communities are complex or even contradictory. At these times it is only wise to analyse the expectations and produce replies seeking the best possible balance of risks for society, which are also risks for the company. We identify, appraise and manage the risks involved in our activities in accordance with the best international practices in the field.

Responsiveness
After learning the stakeholders’ expectations which have been of use to us for identifying material issues, we establish strategic objectives in the Corporate Responsibility field. More specifically, the information that we compile annually in the materiality and consultancy processes is useful for reviewing the activities planned in the 2007–2009 Corporate Responsibility Master Plan. This information is also valuable for steering our social investment activities.

One of the prominent examples of this kind was the creation of an Advisory Public Panel in Puertollano (Spain), made up of external representatives and others from Repsol YPF, with which we wish to open up a channel for permanent communication between society and the Industrial Complex. This participation forum is intended to learn the concerns of society closest to our business, in order to establish channels for dialogue enabling us to learn of these concerns, supply information and training about the activity of the petrochemical industry and actively participate in society’s development, particularly in the fields connected with industry.

Coverage of the Report
The data backing up environmental and safety information stems from our information systems, verified by third parties. The criteria for including data on this endeavour are as follows:

In the environment, as a general criterion for the subsidiaries in which we have a majority interest and/or operational
responsibility (control), we account for 100% of emissions into the different media. In the case of greenhouse gases, we also include the emissions stemming from company activities according to the proportion of shares that we have in each of the companies, as well as the indirect emissions associated with purchasing energy from third parties and other relevant indirect emissions.

As regards safety, we include the data on 100% of the employees of subsidiaries in which we have a majority holding and/or operational responsibility (control). For contracting employees we include any activity covered by a direct contract with Repsol YPF for over one year.

As regards company information, the data included in this report is for all the workers forming part of the staff of Repsol YPF as of 31st December 2008 in all the geographical areas where we work belonging to the societies consolidated by overall integration and proportional integration in the company accounts and/or which are directly controlled.

The social information about the company’s relations with local communities refers to all the activities performed by Repsol YPF and its Foundations: Fundación Repsol, Fundación Repsol YPF Ecuador and Fundación YPF, as regards contribution to the community in the places where we do our work.

The economic-financial data appearing throughout the Report which does not refer to environmental, safety and social aspects mentioned in this chapter corresponds to the data published in Repsol YPF Annual Report 2008, whose scope differs from the one established in this report and which has been externally audited.

Level of application of Global Reporting Initiative

At Repsol YPF we consider that our 2008 Corporate Responsibility Report complies with the requisites to be considered A+ in accordance with the levels of application defined by Global Reporting Initiative. We have applied the principles and guidelines given by the Guide in the report; we have included all the information about all the companies Repsol YPF causing significant impacts; we detail the profile of the organisation and the management approach in each chapter and we have included all the data defined as main performance indicators applying the materiality criterion to the real company situation, and when this was not possible we have given the reason for its exclusion.

We also use KPMG Asesores S.L. for verification of the application of the GRI G3 Guidelines in accordance with the self-assessment made by the company and have also requested the GRI for its review of this self-assessment.

The data backing up information stems from our information systems, verified externally. The verification report is at the Appendices.
Good governance and corporate integrity

The basic pillars of the corporate government system are transparency, our shareholders’ participation, the best operation of the Board of Directors and the independence of the external auditor.

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The basic pillars of the corporate government system, mainly compiled in the Articles of Association, the Regulations of the Annual General Meeting and the Regulations of the Board of Directors, are transparency, our shareholders’ participation, the best operation of the Board of Directors and the independence of the external auditor.

The Annual General Meeting is the sovereign corporate body through which the shareholders take part in making essential decisions at the company. The Board of Directors handles the governance, management and administration of the interests and business of Repsol YPF in any matters not reserved for the competence of the Annual General Meeting.

The Board of Directors’ work focuses on the general role of supervising and considering matters of particular importance for Repsol YPF, while the management of ordinary business is handled by the Management Committee and management team.

It is therefore the competence of the Board of Directors, among other functions, to approve the company’s general policies and strategies, such as the Repsol YPF Strategic Plan, its Annual Budgets, and its management objectives; the investments and financing policy; the policy of corporate responsibility and corporate governance; or the policy for control and management of risks, as well as authorising certain decisions and operations of particular importance due
to the amount involved or strategic relevance. At the present time the Board of Directors consists of 16 Board Members, 2 of whom are Executive Directors, 6 are Institutional Outside Directors and 8 are Independent Outside Directors.

To guarantee the greatest effectiveness and transparency in performance of its functions, the Board of Directors has set up the following Committees with executive and consultancy powers:

- The Delegate Committee, which is a delegate body of the Board with executive functions, designated all the powers of the Board of Directors except those which the Law does not allow and the ones qualified as non-delegable by the Regulations of the Board of Directors.

- The Audit and Control Committee, whose main function is to support the Board of Directors in its supervisory tasks, by regular review of the process for preparing economic-financial information, its executive controls and the independence of the external auditor, apart from other functions envisaged in the Regulations of the Board of Directors.

- The Appointment and Compensation Committee, which is entrusted among others with the tasks of proposing to or informing the Board of Directors about appointments and remuneration of the Board Members and Senior Management, as well as informing the Board about the Board Members’ compliance with the principles of corporate governance and their obligations as contained in the Articles and the Regulations of the Board of Directors.

- The Committee for Strategy, Investments and Corporate Social Responsibility, which is entrusted with functions of proposing or reporting to the Board of Directors any plans, decisions and investments of strategic significance for the company, as well as knowledge and guidance of the policy, objectives and directives of Repsol YPF in the corporate responsibility field, apart from other functions laid down in the Regulations of the Board of Directors.

The work of these last three Committees is aimed at facilitating the Board’s decision-making processes by drawing up prior studies as well as reinforcing the Board’s guarantees of objectiveness in considering and handling certain matters.

The structure of the Board of Directors and its Committees is explained in greater detail in the Company’s Annual Report on Corporate Governance for financial year 2008.

Corporate Responsibility, a central issue for Repsol YPF

In line with the recommendations of the Unified Code of Good Governance and the importance for Repsol YPF of the social function of its businesses and sustainable, transparent and responsible value creation for its shareholders, the plenary session of
the Board of Directors reserves the power to approve the Corporate Responsibility policy of Repsol YPF. The Committee for Strategy, Investments and Corporate Social Responsibility assumes the competences of proposing and informing about these subjects.

Apart from this, the Board of Directors’ Audit and Control Committee has since 2005 formally and explicitly assumed the functions of identifying and steering the policy, objectives and directives of Repsol YPF in the field of safety and the environment.

**Main measures as regards good governance during financial year 2008**

We have always displayed particular sensitivity for assuming self-regulation principles in the area of good governance, as shown by the approval of the Regulations of the Board of Directors in 1995.

As part of the ongoing process of adapting our corporate governance principles to best practices, we have carried out the following action in financial year 2008:

- Modification of the Internal Regulation of Conduct of Repsol YPF in the field of the Stock Market.

On 26th November 2008, the Board of Directors of Repsol YPF passed a modification of the Internal Regulation of Conduct of Repsol YPF in the Stock Market field with a view to adapting its rules to current legislation and incorporating some technical improvements and good practice, among other ends.

Some of the main innovations found in this modification are as regards operations with company securities, prohibiting persons with repeated access to insider information from making any operation from 15 days before the company’s results (annual, six-monthly or quarterly) are presented until the working day after their publication.

The text of the Internal Regulation of Conduct of Repsol YPF in the Stock Exchange Market field can be consulted at repsol.com

- Individual remuneration of the members of the Board.

In line with what is laid down in recommendation 41 of the Unified Code of Good Governance, in the Report on the Annual Accounts of the company for financial year 2007, passed by the Annual General Meeting, of 14th May 2008, individual information was given on the amount of remuneration paid during the year to each of the Board Members for performing their functions as such and for performing executive responsibilities, breaking down the different concepts involved in this.

- Report on the remuneration policy of the Board Members of Repsol YPF.

At the Annual General Meeting held on 14th May 2008 the shareholders were for the first time given access for information purposes to a report on the remuneration policy of Board Members, drawn up according to what is laid down in recommendation 40 of the Unified Code of Good Governance. The remuneration paid in 2008 is explained in detail in the Report on Annual Accounts and in the Corporate Governance Report for financial year 2008.

- Reports of the Board of Directors about the proposals for agreements of the General Meeting 2008:

As for years 2007 and 2006, at the Annual General Meeting for 2008, held on 14th May, a justificatory report of the Board of Directors was drawn up and made available to the shareholders on each of the proposals corresponding to the points on the Agenda and not only those
Association membership and recognition

Since 2006, we have formed part of the Dow Jones, DJSI World and DJSI STOXX selective indexes respectively for global and European sustainability.

www.sustainability-indexes.com

We form part of the FTSE4Good index, which along with the Dow Jones sustainability indexes, constitute the most prestigious selective indexes for corporate responsibility. In 2008 the FTSE4Good Ibex was launched, and joined by us.

www.ftse.com/Indices/FTSE4Good_Index_Series

We form part of the Climate Leadership Index (CLI), an endeavour under the auspices of the Carbon Disclosure Project, to which some of the world’s main institutional investors belong.

www.cdproject.net

In 2003 we joined the United Nations Global Compact, an undertaking intended to have companies adopt ten principles connected with human rights, working conditions, the environment and the fight against corruption as a full part of their strategy and operations. We also form part of the local networks in Spain (ASEPAM), Argentina (Group promoting the Global Compact in Argentina) and Bolivia.

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

We are members of the World Business Council for Sustainable Development (WBCSD), a body which groups around 200 international companies combining to promote business leadership and move forward towards sustainable development through corporate responsibility.

www.wbcsd.org

We are a founding member of Extractive Industries Transparency Initiative (EITI), an initiative with the aim of fostering a transparency framework among companies in the extraction sector and governments of host countries, with the aim of reducing poverty and promoting the socio-economic development of the countries with extraction resources.

www.eitransparency.org

We are members of the International Petroleum Industry Environmental Conservation Association (IPIECA), an organisation set up in 1974 with the aim of developing promotion of efficient, practical, social and economically acceptable technical solutions in connection with the oil industry.

www.ipieca.org

We are members of the Asociación Regional de Empresas de Petróleo y Gas Natural de América Latina y el Caribe (ARPEL). This is an association in which ideas, experiences and knowledge are swapped and is made up of 25 companies in the sectors for distribution of natural gas and oil of Latin America and the Caribbean.

www.arpel.org

We are members of the safety, environment, environmental quality and standards committees of the International Association of Oil & Gas Producers (OGP).

www.ogp.org.uk

We are the founding member of the Forum for Corporate Reputation, set up in 2002 as a forum for analysing and disclosing tendencies, tools and models of corporate reputation in business management. This exchange forum is a point of reference in the development of this field.

www.reputacioncorporativa.org

We are members of Proteus, a project set up in 2002 at the initiative of the United Nations Environmental Program (UNEP) and the World Conservation Monitoring Centre (WCMC). Its vision involves creating a decentralised, simple and advanced system to allow storing and managing information on protected areas as well as reporting tendencies in the field. All of this is done according to the best practices and enabling a simple integration of both other sources of information and the users’ opinions.

proteus.unep-wcmc.org
New energy challenges

The success of energy companies lies in their ability to adapt their business models to the new global socio-economic scenarios, in which the energy demand is growing and environmental challenges - particularly the ones connected with climate change -, are increasingly demanding. It is an intrinsic responsibility of companies in the sector to foster strategies that help to stabilise greenhouse gases. In this direction, technology and innovation are key matters.

We are committed to furtherance of technology and whole value chain, right from the exploration of oilfields of products in industrial complexes, going through research and development of new energy applications.

Taking into account that the winning technologies in the future are still unknown, and that R+D projects mature in the long term, we draw up technology plans as an integral part of business strategies.

Most of our efforts would be in vain if we could not rely on the enthusiasm of the researchers at the company. We have a team of highly qualified scientists and technologists, with the experience, creativity and motivation required to discover, improve and assimilate the technologies guiding the company in innovation in the future.
Carefully planning our resources

Innovation is tantamount to competitiveness, and can be a decisive factor in respect for one’s setting and lead to success. We carefully plan the resources assigned to innovation, which are always limited, attempting to seek a balance between short-term needs and long-term opportunities.

It is important to seek external support at universities and research centres to be able to make progress in the most advanced R+D activities involving greatest technological uncertainty.

In 2008 we assigned 74 million euros to R+D directly from the Technology Area and a further 9 million in projects implemented from business units, which adds up to a total R+D investment of 83 million euros. The part of this sum allocated to projects connected with new energy sources and renewable and/or alternative sources to fossil fuels was 4 million euros, which represents 4.8% of the total expense on R+D.

Green asphalts

The best-known use of asphalts is their application to road surfaces. In order to apply these petroleum-derived compounds they need to be heated up to very high temperatures, with the consequent environmental impact. At Repsol YPF we have got under way a number of research projects intended to reduce this and other environmental impacts:

• Development of a range of low-temperature spreading bitumens.
• Development of highly modified bitumens which mean the useful life of roads is increased and the noise generated by vehicles is reduced.
• Development of our own technology for recycling ageing roads.
• Mixtures of asphalt with powdered recycled tyres.

Extended low temperature bitumen test in the Repsol’s Technology Center.
Towards a different energy future: diversification, responsible consumption and lower CO₂ emissions

A sustainable energy future in which we are able to meet the energy needs to guarantee economic and social well-being all over the world involves using all the available sources, improving efficiency in the use of energy and the use of technologies which reduces CO₂ emissions to a level where these do not have any adverse affect on our planet’s climate.

At Repsol YPF we have the will and the ability to take a leading role in the move towards a less carbon-intensive energy future. That is why we are making considerable efforts on different fronts, including the improvement of our operations’ energy efficiency, prospective studies of emerging technologies and technological research and development activities, which we often carry out in cooperation with top level centres at universities and other companies.

Technologies for CO₂ capture and storage have been given considerable attention over recent years. We consider that they have great potential to ensure a use of fossil energies that is less CO₂ emission-intensive, which is why we are exploring these in association with several international consortiums. There are great challenges involved in reducing their costs, still too high, and guaranteeing society that the storage of CO₂ in the subsoil is stable.

Apart from this we are very attentive to the development of a new generation of biofuels which can be efficiently obtained from non-foodstuff raw material which does not compete with other more necessary uses of the surface area available, such as plant waste and also new specifically energetic crops. We are researching into microalgae, which give a much higher potential of returns per hectare than traditional crops and can constitute huge drains of CO₂, producing biodiesel that would help to reduce the major diesel deficits that we have in Europe.

Over coming years we will see great steps forward made in our sector, in this and other fields of technology. We believe that our organisation has knowledge and resources to play an important role in the development of new solutions that we are now studying in the laboratory and which in the not-too-distant future will be helping to solve the challenge of sustainability of the energy supply. All of us working in Repsol YPF feel fully committed to making our best contribution.
Over the last year, the energy context has changed dramatically. In the six years to July of 2008, oil prices rose from traditional levels under 30 to nearly 150 dollars per barrel, creating a sense of crisis not experienced since 1980. As prices rose, energy nationalisms broke out again among oil and gas producers. Fiscal and access conditions for international oil companies (IOCs) tightened dramatically, while national oil and gas companies, in turn, returned to prominence. At the same time, the re-emergence of China and India contributed to the perception of increasing geopolitical tensions around access to energy, as their NOCs rapidly expanded across the globe to operate in areas traditionally considered the turf of the IOCs and local NOCs. The spectre of future oil wars was palpable. Meanwhile, climate change began an issue nearly impossible to deny.

Since the summer of 2008, however, everything has changed. With the financial collapse and subsequent recession, global oil demand is declining for the first time in memory, provoking a sharp decline in oil prices to just under 50 dollars per barrel. Not only has this reduced the incentive for new investment in traditional and unconventional hydrocarbons and in renewable energy, it has also begun to undermine the stability of major oil and gas producers who have elaborated their national budgets based on a price some 50% higher than the current level. Moreover, even new energy projects with the will to go forward often face difficulties in securing finance, something which has dried up considerably in the wake of the financial sector’s difficulties.

The cycle of price boom and bust, experienced so many times before, apparently continues, building up forces that will unleash a new wave of supply and demand mismatch, and accompanying price volatility, some time in the future. Nevertheless, the economic conditions currently braking demand look set to continue for some time. Eventually, however, demand will be revived and all the forces and challenges that became so overwhelming during the recent period of price build-up will reassert themselves. Then the challenge will once again be to satisfy demand at reasonable prices while avoiding geopoliti-
cal clashes over access to oil and gas. The end of our current economic difficulties will bring back the same challenges – to tap ever more difficult sources of oil and gas and to spur a rapid roll-out of alternatives to fossil fuels – that were coming to a boil just before the onset of the global financial crisis. The estimates of the new investment needs in the energy sector – whether for business as usual or for radical transformation – are daunting (some 24 trillion dollars worldwide) even in the best of times.

While the crisis has placed an artificial brake on ever increasing emissions of greenhouse gases, the world still has relatively little time to transform the global energy economy before the onset of irreversible climate change. This means that one of the most important energy challenges today is to overcome the tendency to place energy policy on the backburner, in favour of more short-term efforts to revive the global economy. The short-term scenario has indeed been changed by the global economic crisis; the long-term scenario – of rising prices, growing energy poverty, intensified geopolitical competition for resources and the spectre of global warming – will not change unless we consciously change it. This will require innovative adaptation efforts not only from the traditional and alternative energy sectors, but also from governments which must collaborate with each other to design rigorous and effective policies to augment energy efficiency, spur the development of new energy alternatives, increase the efficiency of traditional hydrocarbons production, and cap the emissions of greenhouse gases.
Technological strategy 2008–2012

In our 2008-2012 Strategic Technology Plan we lay down the lines of work for the coming five years and the objectives and resources required to carry these out.

As a basic tool for management of R+D, in our 2008-2012 Strategic Technology Plan we lay down the lines of work for the coming five years and the objectives and resources required to carry these out, always in line with corporate strategic objectives.

The lines of work envisaged in the plan also cover the challenges and characteristics of the company’s business: the exploration and production of oil and gas, the value chain of natural gas and refining and petrochemical work, not ignoring other areas of research such as biofuels.

We also systematically carry out prospective studies of future technologies to take a position on the markets and develop measures considered useful.

Another sphere of work is specialised technological assistance for each of our businesses in order to improve present products and short-term production processes.

Further cooperation in R+D

We are well aware of the growing importance of business/society interrelations for scientific-technological development and we thus implement an active cooperation policy through agreements with universities, companies and other public and private technology centres. We have increased the number and monetary value of the agreements very significantly over the last few years, topping 12 million euros in 2008. The fields of cooperation range from feasibility studies for getting new projects under way to participating in the different stages of projects, since these centres have the knowledge and/or specific installations for carrying these out. We have also raised our participation in consortiums with other countries for pre-competitive development of new technologies. Cooperation is opening up new paths for industrial scale technologies, as stated in the Strategic Plan for Energy Technology drawn up by the
On the left, the Tarragona Refinery in Spain. In this page, the Repsol’s data processor in Houston (USA), with a power equivalent to 16,000 personal computers, speeds up the analysis of geophysical data related to oil and gas exploration.

European Commission, in which it presents a strategic plan to boost the development and implementation of low carbon-emitting technologies at the minimum cost. This plan includes measures on planning, application, resources and international cooperation in the sector of energy technologies.

We also participate in R+D programs promoted by the different European, national and autonomous community administrations. In 2008 we were part of 7 European Union projects and 24 projects of different kinds fostered by the Spanish Administration, such as the Program for National Strategic Consortiums for Technological Research (CENIT). Other prominent projects are the PIIBE on biodiesel development, the MEDIODIA project, for development of advanced farming greenhouses, both led by Repsol YPF; the PHENIX project, which is studying how to get safer and more sustainable roads, and the SOST-CO2 project, which explores channels for recovery of CO2 to prevent its emission into the atmosphere (we give further information on this project in the chapter on Climate Change and energy efficiency).

A world-class team
At a time when the technology competition between companies is growing and qualified researchers and technologists are scarce, we have mechanisms to acknowledge the merits and professional opportunities of people who take a technical career, putting their development on the same level as that of the management career.

As a significant part of these mechanisms we should stress the Technical Training Itineraries project, designed by the Technology Division, which enables us to ensure comprehensive management of our professionals’ technical talent through a simplified, flexible model adapted to the real situation of our businesses.

This project considers three fundamental points. One is the creation of a map of skills required; another is the review of typical posts to cover the area’s present and future needs and strengthen the technical career; and lastly, the establishment of training itineraries giving a full response to the critical skills identified.

Quite simply, the Technology Training Itineraries enable us to guide our employee through the different levels of their development, by means of a training offer designed to acquire critical technical skills, encouraging a more comprehensive technical training which means more polyvalent profiles can be created, and optimising planning and management.
Towards reserves with difficult access

The lower number of easily accessible fields with high quality hydrocarbons that are easy to extract has spurred on exploration towards more complex sites, which had not hither to been considered through questions of technical and/or economic feasibility.

Production on these sites not only requires intensive investments, but also solving first-order technological challenges.

In this context, we consider that technologies enabling recovery of the hydrocarbons most difficult to extract are of vital importance, some of these being:

- The oil and gas remaining in mature fields already exploited, in which only from 30-45% of the hydrocarbon is recovered.
- Non-conventional oil and gas reserves, such as extra-heavy crude, oil sands or natural gas trapped in formations with extremely low permeability.
- Reserves of oil and gas located in areas difficult to access such as ultra deep waters or the Arctic zones.

**Technological breakthroughs being explored**

The Caleidoscopio project sets us right in the avant-garde of exploration in zones of particular difficulty. The objective of the project, carried out in cooperation with Spain’s Higher Board for Scientific Research (CSIC) the University of Stanford in the U.S.A. and IBM, is to provide pictures of the subsoil of greater resolution than the ones currently available in the process for seeking oil and gas. Obtaining quality images is particularly difficult in the reserves located at great depth, such as those of the Gulf of Mexico in the United States, where this is prevented by dense layers of salt. The Caleidoscopio project enables us to process seismic images with greater resolution and...
An increasingly large number of new hydrocarbon resources are concentrated in areas involving extreme conditions for operation. Exploration and production in areas with complex environmental and geological conditions requires the application of advanced technologies for exploring and exploiting sites. These areas are typically located in deep waters (over 300 metres), ultra-deep waters (over 1,500 metres), Arctic areas, in high pressure and high temperature conditions or areas with critical environmental restrictions.

Exploration and production in ultra-deep waters and Arctic developments require huge investments and involve major uncertainties as regards costs and returns, meaning that the assessment of the risk of the projects during a field’s life cycle and the selection of the technological concept for its exploitation are vital elements for guaranteeing the success of the project.

There are technologies for exploration and production in accessible ultra-deep waters available through service companies in the sector. The key to success lies in a proper selection based on their ability to adapt to the characteristics of the zone. There are also great opportunities for innovation or improvements enabling reducing costs and uncertainties associated with the exploration and recovery of hydrocarbons in these areas.

Technologies for illuminating the subsoil, ensuring flow, mechanical safety of the installations, floating rigs, digital supervision of fields and production through intelligent wells, among others, are vital resources for successful development of projects in extreme conditions.

We have a significant participation in projects in ultra deep waters in our portfolio, which may increase in the future as a result of the current exploration activity in fields out to sea, which enables us to keep a close eye on the evolution of exploration and production technologies in extreme conditions to improve performance in this type of assets.
life of the installations or the value of the gas. The commonest source of hydrogen sulphide is bacterial growth in the transport conduits, which ends up in their corrosion in the long term.

To control this problem we developed biocompetitive exclusion technologies and participate in consortiums on reservoir souring such as the one led by Calgary University, Canada.

The priorities of the exploration activities are the reduction of risks and the growth of available reserves

**Tertiary or enhanced recovery**

The maturity of some of our fields means that secondary recovery has reached its limit, and it is thus necessary to resort to enhanced recovery technologies. Their effectiveness depends on the type of reservoir and its use in many cases is still in the experimental stage.

**Down hole gas compression**

The increase in energy demand and gas prices have made this resource a priority. One of the most potentially efficient technologies to improve extraction is the so-called down hole gas compression, which attempts to apply the concept of electro-submergible pumps as used in oil

**Recovery of cryogenic energy**

Conventional liquefied natural gas (LNG) regasification processes do not usually incorporate systems to take advantage of the cold (cryogenic energy) available, which leads to a reduction in the overall energy efficiency in the supply chain of natural gas. Hence, if this chain is to be optimised as a whole the possibility of energy recovery in the regasification process needs to be taken into account.

The regasification of LNG is done in vaporisers, where this is heated and vaporised. It is advisable to consider the use of cryogenic energy right from the first stages in defining plans for regasification terminals, so as to bear in mind a number of factors enabling the greatest use to be made of this energy in the actual regasification process.

The cryogenic energy available in vapourisation can be used both directly and indirectly. In each case there are different commercial applications, such as electricity generation, air separation, food preservation, liquefaction of CO2 and dry ice production. The most relevant current applications are in cryogenic air separation and to electricity generation.

We are looking into the feasibility of a project for cold recovery at our regasification terminal in Canaport, Canada. In this project we would apply this procedure to recover the gas used in the combustion processes and to generate electricity. This mechanism entails improvements in energy efficiency and a twofold reduction of CO2 emissions - by capturing the emissions of gas in the atmosphere and through the energy saved in electricity production.

At present the technologies enabling recovery of cryogenic energy from the regasification process are viable, a good deal of them being applied at different terminals.
production to the production of gas. We take part in a consortium for development of this technology formed by ConocoPhilips, Corac Group and Eni. Its first results have confirmed the feasibility of the project through overcoming the technological challenges and the uncertainties of the concept and pilot stages.

**Heavy crude technologies**

Heavy crudes refers to crude oils with a high density, close to and even higher than that of water. Their use is fairly limited, as their viscosity makes them difficult to extract and expensive to transport at ambient pressure and temperature.

We are undertaking different research programs into production of heavy crudes. We also take part in development consortiums with Alberta Research Council (ARC), with Alberta Ingenuity Centre for In-Situ Energy and the University of Calgary, international references for their research into technologies for production of non-conventional heavy crudes.

**Liquefied natural gas (LNG)**

We have a relevant position on the international market for LNG. Our commitment is to appreciate the gas reserves which cannot today be competitively produced.

To this end we are working on liquefaction technologies for floating systems, both for monetizing gas reserves such as the transformation of natural gas into liquid fuels.

**Floating liquefaction**

The exploitation of reserves and development of regasification installations out to sea are vital in the LNG business to guarantee the integrity of the supply and safety of the installations. We lead projects of technologies specifically applied to this activity, such as barge-mounted liquefaction.

**Transformation of gas into liquids**

Another of the technologies for appreciating gas reserves is the transformation of natural gas into liquids, mainly fuels, such as automobile diesel. We are specifically carrying out studies intended to reduce technological uncertainties and the assessment of possibilities for application of diesels stemming from gas.
Improvements in the quality of our products

We seek to anticipate market needs, which is why we offer products with better performance and lower environmental impact as a result of major innovation work.

Cleaner fuels
The European Union environmental regulation has from 1st January 2009 required the production of clean gasoline and diesel, with a sulphur content under 10 parts per million.

To adapt to the new norm, we have made a major technological effort in our refining processes. We have already increased the capacity of our refineries to produce a larger amount of clean diesel oils for transport, with no sulphur and with a higher hydrogen content. We should stress the projects for extending the Cartagena refinery, the greatest industrial investment in the history of Spain, and the adaptation of the Petronor refinery in Bilbao, also in Spain. Both projects have the most advanced and environmentally-friendly technologies.

Heating fuels
The research done by Repsol YPF into clean fuels also extends to the diesels used in heating.

As a result of this study, we have developed C Repsol Energy e+ diesel, which incorporates specific additives to prevent the oxidation of diesel and the early obstruction of filters and burners. The new heating diesel has high energy efficiency, attaining efficiency ratios of around 100%.

Sustainable liquefied petroleum gas (LPG) solutions
LPG is the term used for mixtures of propane and butane, which at environmental temperature and pressure remain in a gaseous state, but which go into a liquid state under a slight overpressure and can then be easily transported and stored. In the energy sector LPG is one of the most mature products from the commercial standpoint and has a mature and stable processing technology.

We are committed to using LPG as a source of energy with high calorie power and little contamination and thus as an alternative that is friendlier with the environment.

We work mainly in the search for commercial applications and product quality, as well as on the design of installations and improvement of processes.

LPG technology is used mainly as a fuel for vehicles and air-conditioning systems. Apart from developing new solutions, we perform technical-economical feasibility studies in different countries and regions in response to current legislation.

One of the most outstanding achievements are the advances made in industrial applications of LPG. Work is being done to adapt equipment and solutions for industry to the new regulations. We are cooperating with others to develop gas heat pump systems and microgeneration with gas applicable to building, which take considerable advantage of residual energy. These techniques not only favour energy diversification, but also reduce the points of consumption of a single energy source and reduce losses in transport and distribution.

Efficiency and quality for fish flour industries in Peru

Mixed solar energy and gas systems are also important. Thanks to the Global Solar and Gas Energy Study carried out in the last two years we were able to design specific solutions for building and air-conditioning.

In the farming and fishing sector we have developed a project for treating pests with heat generated by LPG in a machine adapting to the main crops in Spain and reduces the need for pesticides. We have also got studies of new applications under way such as heat treatment for leaf removal or heat treatment for disinfection of farming and cattle land or premises and farms.

As an environmental protection initiative we should stress the decision taken by Repsol Butano to supply its employees with vehicles which can use LPG as an alternative fuel. These vehicles will start to be delivered from next year 2009 and replace the present ones consuming diesel as fuel and which are used...
for carrying out commercial and technical functions. In all the replacement of a fleet of 184 vehicles is envisaged. The advantages of LPG in respect of other fuels are reflected in the low emissions of CO₂, NOₓ and particles in the products of combustion, as well as through a low noise level, which would help to reduce greenhouse gas emissions, improve air quality and reduce noise contamination in cities.

Another endeavour is the project for using solar energy for heating water in the bottle-washing process. This project is intended to be implemented throughout next year 2009 at one of our plants in Portugal.

Lastly, we are researching into the applicability of LPG in air-conditioning (cooling and heating) of greenhouses.

Reduction of waste generated
As a result of our commitment to the environment we are involved in two endeavours with a view to minimising the waste generated during fuel production:

• Regeneration and reuse of the catalysts discharged from industrial units.
  The system consists in modifying the conditions for reactivation of the catalyst regenerated and using additives which improve its properties. If any of the catalysts does not have the minimum properties required to be reused it will be sent for metal recovery. This enables cutting down the volume of waste and recovering part of the residual value of such catalysts.

• Reuse of catalysts after making these inert.
  This is a project that we are undertaking in Argentina, in cooperation with the scientific
Engines and fuels up to 2020

The automobile sector is a very mature but extremely competitive sector with a high technological component, which has undergone great evolution over the last two decades. The technological evolution of engines determines the evolution of fuels in two aspects, minimum quality specifications which have to be complied with by hydrocarbon mixes and the quality of the packages of additives.

The challenge faced by gasoline engines is to reduce their CO2 emissions, which is connected with a reduction in their consumption. To achieve this end two clear technological lines are available in the short term:

- Improving efficiency by direct injection and the reduction of cylinder capacity by incorporating turbocompression.
- Hybridising the vehicle, by incorporating electric motors.

As regards the fuels associated with this type of engine there is no foreseeable drastic change in specifications, except for the incorporation of bioethanol.

With regard to diesel engines, the most immediate challenge is to reduce emissions of nitrogen oxides (NOx) and particles, basically affecting the local contamination of big cities. There are two ways of doing this:

- Evolution and improvement of current technologies (common-rail, exhaust gas recirculation (EGR), particle filter).
- Introduction of new forms of combustion (Homogeneous Charge Compression Ignition (HCCI) or cold combustion) which is not foreseeable before 1/2014-2015.

The evolution of diesel specifications thus has a dual timeframe: in the short term it will focus on the incorporation of biodiesel with a favourable balance for CO2 emissions and from 1/2014-2015, if HCCI is incorporated, the adaptation of other parameters connected with the composition and characteristics of diesel.

The new technologies in gasoline engines, which will improve their performance, may make the present proportion between gasoline and diesel engines balance out. This will lead in the medium term to a rebalance in the demand for gasoline and diesel.

In the context of the study, until 2020, electric propulsion (hydrogen or batteries) will gradually be introduced through demonstration projects or small fleets, but we consider that its commercial introduction, development and widespread implementation will be after that date.

Biofuels

We are committed to diversification towards biofuels which reduce CO2 emissions. In 2010 we plan to mix over one million tons of biodiesel in diesel fuels, which along with the bioethanol already mixed in gasolines will enable us to comply with legislation obligations.

For further information about environmental aspects, see the chapter on Environmental management and efficient use of resources.

Green products

Natural polyols Polyols are compounds used in making polyurethanes. These are in turn used for manufacturing thermal insulators, adhesives, paints, sealants or automobile components. Natural polyols are obtained from oils such as sunflower, fish or soy oil.

Natural polyols are highly appreciated for preservation of the environment because they succeed in reducing carbon dioxide emissions by 36% and cut down energy consumption by 23%. We have developed a laboratory-scale process and pilot project at a plant to obtain these compounds, which could in the future be applied on an industrial scale.

Plant paraffins Paraffins, obtained in the oil refining process, are applied to the production of adhesives, paints, cosmetics and varnishes. In response to the growing demand for this product and the need for products with lower environmental impact, we have created a new line of paraffins based on natural raw materials, such as plant oils. We have developed plant oils

also form a very efficient drain for absorbing the CO2 emissions from our refineries.

We are also investigating the stability of the stored product and the identification of new additives to guarantee the quality of the final product.
Hydrogen is currently used as a chemical reagent in many industrial processes. Refineries and ammonia plants consume 95% of all the hydrogen produced. Hydrogen is not found in a free state in nature, and has to be made. It is thus not a primary energy source, but an energy carrier or vector, like electricity. At the present time worldwide hydrogen production only represents 1.5% of the world’s energy demand.

Hydrogen is being considered as a suitable energy carrier for the transport sector in the long term. Since vehicle electrification is required, its implementation as a fuel competes with the development of mains-rechargeable batteries (plug-in vehicles). It can be produced directly or indirectly, from any source of primary power, and enables its application, combined with fuel cells able to produce electricity by means of a chemical reaction in combination with oxygen to drive vehicles through an electric motor. This chemical reaction produces water, and thus does not generate contaminating or CO2 emissions in the vehicle.

The cheapest sources of hydrogen production in the medium term will be the gasification of carbon and the reforming of natural gas. The viability of these sources depends on the capture and storage of the CO2 generated in these processes, in order to reduce the environmental impact of the whole cycle, for which reason there are still some important challenges to be tackled in the short term associated with the technology of fuel cells and distribution and logistics of hydrogen.

The marketing of hydrogen vehicles is not expected to start before 2020, although demonstration projects and activities will be carried out, like the bus fleet that has circulated around Madrid, in which we participated. The growth in the use of hydrogen in the transport sector, if this manages to happen, will be exponential.

As producers of hydrogen for hydrotreatment processes, we research into the optimisation of production processes. At the present time we use this in refineries for making innovative, differentiated fuels with a commitment to the environment and quality.

Regenerated lubricants We use lubricants in compressors, large machines, conventional vehicles and all kinds of machinery. Enabling and fostering the reuse of lubricants is a responsible approach, in line with our environmental commitment. The basis for the lubricants that we regenerate is a product obtained from used oils. Using this reduces consumption of new lubricants and thus the consumption of fossil fuels.

Low temperature asphalts with recycled components
The best-known use of asphalts is their application on road surfaces. These oil-based compounds need to be heated up to very high temperatures before being applied, with the consequent environmental impact. We have carried out a number of R+D projects intended to reduce this and other environmental impacts of asphalts:

- We have marketed a range of low-temperature spreading asphalts, working from 20 to 30°C, a much lower temperature than conventional asphalts, which means environmental improvements in their handling and energy savings.
- We have highly modified asphalts through which the useful life of roads is increased and the noise generated by vehicles is lowered.
- We have developed our own technology for recycling old roads, which makes full use of the material from the old road for making and extending the new surface, avoiding the consumption of new aggregates.

- We mix asphalt with the dust of recycled tyres to use this in anti-cracking treatments, in coatings that withstand deformation, in anti-noise road surfaces or in coatings that are more adherent when the surface is wet.

Hydrogen – energy carrier for the future?

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We have participated in the main technological platforms and European projects in order to appraise the evolution expected and the key technologies which will be involved in the introduction of hydrogen as a fuel, and will keep these constantly monitored in order to anticipate market requirements.
Avant-garde technological development

Prospective studies of technologies enable us to anticipate future tendencies, make more accurately-based decisions and product designs and define innovative commercial strategies. R+D projects stemming from these studies enable us to obtain innovative products or processes intended to meet social needs and the needs of our markets.

**Fuels for racing**
We develop fuels for use in top level racing for teams such as Honda, Mitsubishi or KTM. These developments prove to be an excellent test bench for purposes of transferring innovation to commercial fuels.
Most of the fuels that we develop are used in world motorcycle racing, though fuels are also supplied for the Spanish speed championship, the world trial championship, the world motocross championship and the world rally event.

**Added value products for farming**
We devote major resources to research and development of products which make farming operations as profitable as possible.
Plastic films are used for enclosing greenhouses to protect crops against bad weather and to make use of sunlight, among other applications. As a result of using these earlier and more productive harvests are obtained.

We also design and develop specific fuels for farming use, such as diesel fuel for latest generation common rail farm machinery, Agrodiesel e+10.

**Other innovative products**
We display our determination to be in the technological avant-garde with latest generation products such as:
- A new additive to prevent the oxidation of diesels in the presence of metals.
This additive gives our products a differentiating quality.

Motor section for the research in the Repsol’s technology Center.
The so-called “safety-enhanced hydraulic fluids” which comply with the fire-resistance criteria laid down by the 7th Luxembourg Protocol. These fluids replace conventional ones in risk settings, where they guarantee a high degree of safety.

- A specific lubricant for heavy vehicles which use natural gas. The product has excellent resistance to oxidation and nitration and also greater heat stability. It is type–approved by the main makers of this type of vehicles.

- As part of the CENIT’s Cralida project, undertaken in cooperation with electric companies and makers of electrical distribution equipment with the aim of improving electricity distribution networks, we have developed dielectric plant-based oils which are less inflammable, apart from being biodegradable. The first laboratory and transformer tests have proved positive and we have extended these to new transformers.

- In the development of new plastic products we should stress a new oxo-biodegradable polypropylene. This new product is reusable, recyclable and incinerable, does not impair composting treatment (process for decomposition of biodegradable waste materials to obtain compost, used as fertilizer in gardening, agriculture and forestry) and is also respectful with the environment by minimising the visual impact of waste and biodegrading down to CO₂, water and biomass in a reasonable time.

- In 2008 we got a test under way on a fleet of buses in real service with B30 fuel (70% diesel + 30% biodiesel) using a biodiesel made from reused plant oil. This project is to last 12 months and its main objective is to make sure there are no incidents on the vehicles and that the fuel is totally compatible and adapted to the exclusive additives which we incorporate in our fuels. Our customers will thus be able to access a guaranteed quality product that is renewable, adapted to present-day engines, and that contributes to the reduction of waste. On this occasion we have made B30 fuel on the installations of the formulation plant of our Technology Centres, where the additivation is adjusted and the quality of the product made is controlled.

Registration of new inventions

Over the last few years we have applied for registration and patent protection of new inventions connected with different areas such as asphalts, catalysts, fuels, lubricants, polymers, rubber and devices mainly involving liquefied petrol gases.

The patents applied for protect such aspects as replacing toxic reagents with other more harmless ones in certain processes, new ways of obtaining products of interest with the very least environmental impact, improving the efficiency of processes, as well as the discovery of new uses or properties of our products.

As for the territorial sphere of protection, these patents have been extended to different countries, both through regional agreements (European Patent) or international agreements (PCT Patent Cooperation Treaty), as well as through direct processing at different selected national offices, which has enabled us to obtain the protection of knowledge in such countries as Spain, Argentina, the United States or Japan.
Technological prospection allows us to direct the current technological lines and to identify the need of opening new investment lines, that later become in projects to develop new processes and products that anticipate the needs and opportunities to the existing business or to the ones to develop.
PRODUCTS
RAW MATERIAL
- Liquefied petroleum gas (LPG)
- Naphtha
- Kerosene
- Diesel
- Fuel oil
- Bases
- Coke
- Asphalts
- Aromatics/solvents
- Gas To Liquid (GTL)

BASIC PETROCHEMISTRY/RAW MATERIAL
- Ethylene
- Propylene
- Butadiene
- Benzene

CHEMICAL PROCESSES & FORMULATION
- Separation
- Chemical conversion
- Formulation & additivation
- Operation & integration

CHEMICAL PROCESSES
- Chemical transformation
- Polymerisation
- Operation and integration

PRODUCTS
- Fuels
- Lubricants
- Extender oils
- Greases
- Asphalts
- Cokes
- Waxes & paraffins
- Solvents
- Propellants
- Sulphur

PRODUCTS
- Polyethylene (PE)
- Polypropylene (PP)
- PP compounds
- EVA
- Elastomers S/B
- ABS
- Styrene

Polyols
- Glycols
- PMMA
- Ammonium sulphate
- Expandable
- Polystyrene
- LAB-LAS
- Maleic anhydride
- Methanol

ELECTRICITY

INDUSTRY MATERIALS CHEMICALS

TRANSPORT HEATING ROADS BUILDING

APPLICATION

ANNUAL CORPORATE RESPONSIBILITY REPORT
NEW ENERGY CHALLENGES
Throughout 2008 climate change continued to be one of public opinion’s main concerns all over the world. This can clearly be seen from the interest aroused by conversations at the Poznan conference, intended to smooth out the way towards success in negotiating an international commitment in Copenhagen 2009.

The financial crisis inevitably came very much to the fore at this conference, though the experts’ unanimous opinion was that it is precisely at this time of uncertainty when most efforts must be made in the fight against Climate Change.

At Repsol YPF we are aware of this challenge. In 2002 we publicly formalised our position as regards climate change. In 2003 we drew up and got under way our Carbon Plan, which we have updated this year to foster the deployment of our strategy in all our operations, setting a more ambitious goal for reducing greenhouse gas emissions.
### Our objectives

<table>
<thead>
<tr>
<th>Activities planned</th>
<th>Degree of progress 2008</th>
<th>2009 Objectives</th>
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</thead>
<tbody>
<tr>
<td>Reduction of a million tons of CO₂eq in the 2005-2012 period in respect of the business as usual scenario.</td>
<td>Reduction of 166,837 t CO₂eq in 2008, exceeding the annual reduction target (150,000 t) and reaching ahead of time the strategic goal of a million ton reduction over the 2005-2012 period.</td>
<td>Reduction of 335,000 tonnes in 2009 in respect to the business as usual scenario.</td>
</tr>
<tr>
<td>Verification of the inventory of greenhouse gases and directed actions for emissions reduction according to international standard ISO 14064.</td>
<td>Verification of the CO₂ inventory of the five refineries and the six petrochemical plants in Spain and Portugal, for the second year on running, and of the Ensenada Chemical plant in Argentina for the first time. This represents 52% of the company’s total CO₂ emissions. Verification of 79% of the CO₂ reductions obtained in the year.</td>
<td>Extension of the scope of verification to other refining plants.</td>
</tr>
<tr>
<td>Programs and audits for improving energy efficiency.</td>
<td>Execution of energy efficiency programs in different businesses of the company. Execution of energy efficiency audits at different plants in the industrial refining and chemical centres, at exploration and production centres and at service centres.</td>
<td>Continuing to develop energy efficiency programs and audits.</td>
</tr>
<tr>
<td>R+D projects: CO₂ capture and storage (CCS): geological storage.</td>
<td>Continuation of the costs study of the carbon capture and storage for different industrial units. Continuation of the participation in CASTOR (4), CCP₂ (3) and TOPCOMBI (4) projects.</td>
<td>Continuing with the assessment of costs of CCS for refineries in Spain. Development of CO₂ storage methodologies. Continuing participating in CCS.</td>
</tr>
<tr>
<td>R+D projects: transformation of CO₂ into biomass for energy use.</td>
<td>Participation in the SOST CO₂ project for transformation of CO₂ into biomass for energy use got under way. After the technological prospecting into uses and transformations of CO₂, both for use in enhanced hydrocarbon recovery and in transformation into products.</td>
<td>Continuing with exploratory developments for transformation of CO₂ into biomass as part of the SOST CO₂ project.</td>
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</tbody>
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(1) As the rest of quantitative information included in this report, 100% of the CO₂ company’s inventory has been verified externally. In addition, we applied a verification plan according to standard ISO 14064.

(2) CASTOR: Casablanca Storage

(3) CCP₂: Carbon Capture Project Phase 2

(4) TOPCOMBI: Towards Optimized Chemical Processes and New Materials by Combinatorial Science.
An integrated plan in all our activities

Strategic decisions on climate change and strategic lines of action are established at the highest level in the company’s organisation hierarchy. Strategic lines are used as a basis for preparing the objectives and action plans in each area of our business.

To effectively involve all the employees at the company, annual reduction objectives for greenhouse gas emission are set, to form part of the objectives of members of staff in key positions for obtaining these reductions and whose compensation is subject to variable remuneration.

Since 2005 the Audit and Control Committee of the Board of Directors has also assumed the functions of identifying and steering the policy, directives and objectives in this area.

We have developed specific norms to put the approaches assumed into practice. In 2008 it is emphasized the procedures implemented in all the businesses affected by verification of emissions according to international norm ISO 14064, in order to guarantee the quality of the greenhouse gas inventories of the company’s facilities.

Evolution of the international framework

The European Union passed an ambitious legislative package on climate change and energy which combined a 20% reduction in the emissions, an increase of up to 20% in the use of renewable energy and a 20% rise in the improvement of energy efficiency with 2020 as horizon.

We should also stress an achievement of the Poznan conference for having introduced (Appendix I) for the first time the new proposal by means of which developing countries have to reduce their emissions by 15-30% in respect of the business as usual scenario in 2020, the objectives of the countries in Appendix I being a 25-40% reduction in respect of 1990.

The time that has elapsed with the present Protocol has enabled us to see more clearly what has to be improved to ensure an effective commitment helping to mitigate the effect of climate change at a reasonable cost.

The commitment direction of each of the signing countries needs to be more clearly defined, both for the ones in Appendix I and those not included in this. Apart from this, developing countries must point out how they will take the road towards reduction of emissions consistently with the commitments taken on by developed countries. Developed countries must quantify the technology to be transferred and the economic effort to be made to contribute to adaptation to climate change and the reduction in emissions in developing countries.

The new Protocol must continue to play a key role in the Clean Development Mechanism (CDM). Though this mechanism has indeed been criticised, among other reasons for its relative failure to promote development in some regions such as Africa and for the bureaucracy associated with processing the projects, it has over this time become an essential part of technology transfer and achievement of reductions in emissions.

To make sure that the CDM is a really effective instrument the transparency of decisions of the Executive Board must be increased, speeding up the process for approval of projects apart from improving the communication channels between the proponents and the United Nations.
Climate change forms part of our strategy

Repsol YPF has for some time been aware of the importance of the climate change challenge and vouches for this in its policy and strategy. There is a firm conviction at this company that success will reward firms that are able to respond to this challenge in the most efficient way, especially in sectors such as that of energy.

This conviction makes us regularly review mechanisms and tools already deployed at the company and we have thus recently made two important decisions. The first was to draw up a new Carbon and Energy Efficiency Plan to promote and coordinate all the action that the company takes in this field. The idea was to upgrade the objective set in 2005 for reduction of CO2 emissions in our operations, after the partial objectives of 2005 to 2008 have been comfortably exceeded. This review was passed by the Company’s Executive Committee in the persuasion that although this would mean an extra effort this is still an attainable target, since the resources required to achieve this will be mobilised.

The new goal is to cut down 2.5 million tons of CO2 equivalent in the 2005–2013 period, as opposed to the initial objective of reducing the figure by one million tons in the 2005–2012 period.

Apart from this, in 2008 we increased the number of installations which have validated their emission inventories according to international standard ISO 14064, in order to give greater credibility to and guarantee the reliability of the figures published on the Company’s carbon footprint. In 2008 the Ensenada petrochemical complex in Argentina verified its inventory of Greenhouse Gases according to this standard, this being the first facility in the whole of Latin America to do so.

In support of this strategy and its quantifiable results, in 2008 Repsol YPF was given clear recognition by the market. It is the only company that continues for the third year on running to appear among the three best firms in the Oil & Gas sector in the Climate Leadership Index (CLI). Repsol YPF was also given the top qualification in the climate change sector in the Dow Jones Sustainability Index in 2008.

On the technological side we continue to analyse the viability of applying technologies for capture and sequestration of CO2 in our operations and industrial centres, both in the geological storage aspect and that of their transformation into biomass.

All of this makes us look to the future with optimism, committed to a task that incorporates a wide range of activities: improvement in the quality of inventories, search for opportunities to reduce emissions, optimisation of processes for improving their energy efficiency, investment in R+D and raising society’s awareness. For this purpose we can rely on the efforts and enthusiasm of an organisation persuaded that this is the right direction to take.
2009 sees the convergence of two major challenges - the global economic crisis and the necessity for a new climate treaty in Copenhagen in December. Business cannot succeed in a society that fails and has a central role to play in resolving both of these challenges.

It is clear that to stimulate growth and aid recovery from the economic crisis the world needs a transformation to a low carbon economy. A recovery strategy based on high-carbon energy sources will not create the sustainable economic growth that the world needs – it will ultimately choke itself on rising hydrocarbon prices and a hostile physical environment created by climate change. There is no “business as usual” to which we can return.

It is equally clear that implementation of any climate treaty will require business to do what it does best – to innovate – and deliver the low carbon technology solutions needed.

Many of the low-carbon technology solutions that have the potential to significantly reduce global emissions already exist. According to the International Energy Agency, energy efficiency can account for more than 50% of the required emissions reductions and these technologies are available. But specific national policy responses are needed to support their rapid deployment and transfer. Other essential technologies, like carbon capture and storage, require funding to support their demonstration.

New technologies will also be needed. Governments need to facilitate the scale-up of research, development and demonstration of these clean energy technologies through new financial mechanisms and international cooperation. Partnerships between business, governments and academia will be essential to helping the world find and deliver these technologies.

Consequently, what is needed amounts to a new industrial revolution. This revolution will need to be clean, lean and mean. Clean –the technologies required will move us towards a low carbon future. Lean –we live in a world of increasingly scarce resources - energy, water, carbon – and we need to learn to live within these parameters. And mean – there will be both winners and losers. Companies able to adapt and grasp the opportunities presented will grow. Those that cannot or will not could face extinction.
## Milestone timeline in climate change

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<th>Repsol YPF Carbon Plan</th>
<th>New Repsol YPF Carbon Plan</th>
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<td>Publication of the First National Association Plan (PNA)</td>
<td>Publication of the Second National Assignment Plan (PNA)</td>
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<tr>
<td><strong>MDL</strong></td>
<td>Joining the Carbon Natsource (GIC GAP) Fund</td>
<td>First transactions with secondary Emission Reduction Credits (ERC) worth almost a million tons</td>
</tr>
<tr>
<td><strong>Energy Efficiency</strong></td>
<td>Setting the objective for reduction of 1,000,000 tons CO2 eq. in 2005-2012</td>
<td>Reduction of 274,092 tons (annual objective 150,000 tons). Verification of 68% of the reduction according to ISO 14064.</td>
</tr>
<tr>
<td><strong>MILESTONES</strong></td>
<td>Reduction of 582,000 tons (annual objective 150,000 tons)</td>
<td>Reduction of 166,837 t CO2 eq. (annual objective 150,000 t.) Reassessment of strategic objective of 2.5 million tons CO2 eq. in 2005-2013 in respect of business as usual. Verification of 79% of the reduction according to ISO 14064.</td>
</tr>
<tr>
<td><strong>RECOGNITION</strong></td>
<td>Approval by the CDM Executive Board of the United Nations of the procedure based on the project for recovery of flaring gas at La Plata complex (Argentina).</td>
<td>Performance of energy audits. Approval of the first Repsol YPF energy efficiency plan.</td>
</tr>
<tr>
<td><strong>OPINION-CREATING</strong></td>
<td>Creation of the Climate Change Unit.</td>
<td></td>
</tr>
<tr>
<td><strong>2002</strong></td>
<td>Approval of the public position on Climate Change.</td>
<td>Verification of the CO2 inventory of Refining and Chemicals in Spain and Portugal and directed actions for emissions reductions required for Spanish refining according to ISO 14064.</td>
</tr>
<tr>
<td><strong>2003</strong></td>
<td>Participation in the ARPEL workshop on cooperation in technological options for reduction of GHG (Rio de Janeiro, Brazil). Participation in the 10th Conference of Parties (COP-10) in Buenos Aires (Argentina).</td>
<td>Verification of the inventory of the Ensenada chemical plant in Argentina according to international standard ISO 14064, this being the first installation in the whole of Latin America.</td>
</tr>
<tr>
<td><strong>2004</strong></td>
<td>Participation in the ARPEL Workshop on opportunities for flaring reduction in Latin America (Caracas, Venezuela). Participation in the 5th Congress on GHG markets of IETA in Madrid (Spain).</td>
<td></td>
</tr>
<tr>
<td><strong>2005</strong></td>
<td>Co-patronage and participation at the ARPEL workshop on climate change (Barcelona, Environmental Forum Foundation) Participation in the CDM Forum in Latin America in Antigua (Guatemala).</td>
<td>Best in class in CLi (Climate Leadership Index) Best in class in CLi Top assessment in climate change in Dow Jones Sustainability Index Best in class in CLi Top assessment in climate change in Dow Jones Sustainability Index</td>
</tr>
<tr>
<td><strong>2006</strong></td>
<td>Repsol YPF assumes the presidency of the ARPEL work group on climate change Participation in Expo CO2 (Barcelona) Participation in the 5th Congress of Parties (COP-11) in Cancun (Mexico).</td>
<td></td>
</tr>
<tr>
<td><strong>2007</strong></td>
<td>Joining the Climate Protection endeavour of the United Nations World Climate Compact Participation in the work group of the Environment Foundation – BCSD Publication of the document eCO2nomia Launching of “12 Tips” as a campaign for raising awareness of staff.</td>
<td></td>
</tr>
<tr>
<td><strong>2008</strong></td>
<td>Participation in the work group on Energy Saving and Efficiency of the Spanish Energy Club. Participation in the ARPEL Energy Efficiency Projects Team (EPETEN) Involvement in F-20 forum, Challenges and Opportunities on Markets for Trade in Greenhouse Gas Emissions, of the 10th World Petroleum Congress.</td>
<td></td>
</tr>
<tr>
<td><strong>2009</strong></td>
<td>Best in class in CLi Top assessment in climate change in Dow Jones Sustainability Index</td>
<td></td>
</tr>
</tbody>
</table>

(1) CORE: Catalogue of Opportunities for Emissions Reduction.  (2) CDM: Clean Development Mechanism.
New Carbon Plan

This new plan consolidates all the measures that we perform on carbon in a common program. This means that we have a similar procedure for analysing investments, identifying opportunities and assessing risks, and effective and coordinated usage of our mechanisms for reducing emissions and deploying energy efficiency actions.

The New Carbon Plan involves the following lines of action:

**Action on the emission markets**

Our activities on the emission markets concentrate mainly on regulated markets, voluntary markets and participation in carbon funds.

We take an active part in the international emission markets. In 2008 we continued to take intensive action on the markets as these matured; for example, the transaction with secondary Certified Emissions Reductions (CER) reached almost one million tons. The investment in Carbon Funds continued as set over recent years. These funds develop projects of Clean Development Mechanisms (CDM) in developing countries, investing in energy efficiency initiatives, renewable energies, management of waste, change of fuels and others. In 2008 we should stress the company’s participation in two initiatives undertaken in China through the Natsource Carbon Fund Greenhouse Gas Credit Aggregation Pool (GG-CAP): a project for industrial cogeneration in Chaohuan and another for hydroelectric generation which makes use of the Chenshui river current in Hunan province.

**Catalogue of Emission Reduction Opportunities (CORE)**

We have a Catalogue of Emission Reduction Opportunities (CORE), where all the company businesses actively contribute to identifying opportunities for reducing internal GHG emissions.

**Clean Development Mechanism (CDM) Projects**

We continue to undertake internal CDM projects and encourage their generation in external projects. These projects effectively contribute to technology transfer and knowledge. When generated internally, they also contribute to the reduction in consumption and improvement of energy efficiency.

In order to identify and develop CDM projects, we have established a process for sequential analysis which covers the identification of opportunities, their valuation through a feasibility analysis and a report on recommendations and their later processing as CDM.
Energy efficiency

Energy management systems The improvement in energy efficiency is a key management aspect at the company. We believe in the improvement of energy efficiency, which stems naturally from our carbon strategy. To take advantage of these opportunities, in 2008 we set up the organisational structure required for in-depth investigation of good management practices. The following objectives are pursued:

- Aligning management practices with those of the most advanced companies in the sector.
- Establishing minimum standards of management in the different businesses and areas of the company.
- Disseminating experiences and good practices.
- Integrating disperse initiatives and coordinating agents with impact on consumption.
- Improving the capacity to identify the potential for saving costs and materialising this.
- Quantifying current consumptions and improvements achieved.

Energy efficiency audits As part of the programs for energy efficiency in force in the different businesses of the company, energy efficiency audits are performed in order to reduce the specific consumptions of energy and detect any opportunities for savings. As a result of the audits recommendations are issued for improving energy efficiency, which foster the action plans. During 2008 energy efficiency audits have been carried out in different plants at:

- Industrial refining centres in A Coruña, Cartagena and Petronor in Spain and La Plata and Luján de Cuyo in Argentina.
- Chemical plants in Puertollano and Tarragona in Spain and Ensenada in Argentina.
- Exploration and production installations in Vizcacheras, Barrancas and Los Perales in Argentina, in Barrancas in Venezuela and in Trinidad and Tobago.
- Petrol stations in Spain.

The sum of small improvements detected in these audits makes a significant contribution to the reduction of the company businesses’ carbon footprint. In the refining and chemical facilities in Spain, we have identified opportunities for reducing energy consumption by around 7% in respect of current consumption.

Management of knowledge We opt for management of knowledge and foster the creation of communities of practice, which apart from being portals in which information can be shared, constitute a common work setting and a vehicle for different initiatives for management under way (planning and monitoring, methodologies, savings measures, communication, monitoring of consumptions, audits, resources for training, news, events, discussion forums, etc.). In 2008 we should underline the relaunching of the community of energy management practices of Refining Spain, and the progress made for bringing chemicals staff in Europe into this. In parallel, the refining and Logistics unit in Argentina has worked on building its own community of practice, intended to be launched in 2009.

Another relevant measures is the constitution of energy efficiency work groups. In particular we should mention the creation of the group in the Petrochemical area in Spain in 2008, in order to promote the reduction of energy consumptions and emissions of CO2 in this area.

Innovation and energy efficiency in petrol stations

In 2008 we carried out a worldwide pioneering and exemplary project at the Spanish petrol station unit, as part of the Executive Division of Marketing. As a result of this project the Innovación Carabanchel Petrol Station has just been opened in Madrid. This is a petrol station at which the latest technologies in safety, energy efficiency, water consumption, management, marketing and accessibility have been incorporated.

The project combines over forty initiatives, based on three main principles: teamwork, the search for optimum performance in the social and environmental areas and the greatest possible repercussion on brand image.

This project constitutes an exceptional platform for learning and it is hoped to help identify technologies that can be extended to the rest of the network of petrol stations. As regards energy efficiency, the following should be pointed out:

- Use of LED technology for lighting up different areas and items, including sign supports, information panels and posts.
- Electricity saving system which works by balancing the phase lag between current and voltage by means of coil crossovers in the transformers controlling the load unbalance. This system can save up to 18% of the energy consumption at the petrol stations.
- Control for management of the energy system: lighting, air heating/cooling and cold store equipment. The technology means that the on and off operations can automatically be regulated (indoor and outdoor lighting, etc.) as well as the temperatures of the cold stores and air conditioning.
- Telemetry for controlling the time consumption of electricity. The information is sent via sms to a Web site. This system means that the electricity consumption can be reduced if the information output from it is used for improving the awareness of staff (up to 5% savings). It also means that energy efficiency plans can be established and the objectives set can be monitored.
- Photovoltaic and thermal solar panels are respectively used for producing electricity and hot water.
A new challenge in emission reduction

We attained the strategic objective for emission reduction four years ahead of time and have set a new strategic target: a 2.5 million ton CO₂eq reduction in the 2005–2013 period in respect of the business as usual scenario.

In 2005 we set a reduction objective of one million tons of CO₂eq for the 2005-2012 period over the business as usual scenario. As a result of all the measures taken in the Carbon Plan, we achieved an accumulated reduction of 1,022,929 tonnes CO₂eq.

Review of the reduction target

In view of the good results obtained, in 2008 we decided to reformulate the objective in order to set an ambitious target. The new strategic objective for reduction was set at 2.5 million tons CO₂ eq in the 2005-2013 period in respect of the business as usual scenario. This scenario is calculated from the future emissions projection based on two scenarios: one with minimum emissions and other with maximum ones, taking into account internal and external determining factors. The annual objective established for 2009 is 235,000 tons of equivalent CO₂ reduction.

Determination of objectives according to the business as usual scenario

When we express an emission reduction target as compared with the business as usual scenario, what we take on is the commitment to achieve reductions of emission beyond any variations arising as a result of the external setting conditions or internal operating conditions. This means that as regards fulfilment of the objective only the effective reductions that have taken place seeking the reduction and which would otherwise not have existed are taken into consideration, not including the temporary reductions as a result of plant stoppages, maintenance of production centres, periods with lower production through unfavourable economic situations, etc.

For this reason there may be years in which the company’s absolute emissions are increased even though the reductions of the reduction objective are at a maximum level.
Our data

**Direct emissions of greenhouse gases**
- Direct CO₂ emissions are found mainly at combustion installations and in refinery processes and in the exploration and production activities.
- In 2008 the emissions dropped 3% in respect of 2007, mainly due to the reduction programs implemented, the programmed stoppage at several plants in the Puertollano refinery, the stoppage at the olefins plant at the Tarragona refinery and, to a lesser extent, thanks to the disinvestments made.
- Methane emissions at the company stem mainly from fugitive emissions in exploration and production activity.
- In 2008 these emissions dropped 3% in respect of 2007, due mainly to the lower activity in Las Heras fields and to a lesser extent in Chubut Cañadón Seco in Argentina.

**Indirect emissions of greenhouse gases**
Apart from direct emissions, at Repsol YPF we annually report indirect emissions resulting from the company’s own activity, but which stem from sources owned or controlled by third parties. Two basic types of indirect emissions fall into this category:
- Emissions associated with purchasing energy from abroad in the form of electricity or steam. In 2008 these emissions came to 2.02 million tons of CO₂eq.

(1) Data according to operational control criteria. Further information in the section “Our results”.

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In order to be able to establish common bases for comparison over time, allowing us to determine the evolution of plants in Bronderslev (Denmark) and Polivar (Italy), the emissions of previous years have been adjusted according to the changes in the Company assets structures. The criteria for changing the base line are given in the “Petroleum industry guidelines for reporting greenhouse gas emissions” (API/IPIECA/OGP). During 2008 disinvestments were made at several plants: chemical plants in Bronderslev (Denmark) and Polivar (Italy), exploration and production activities in Andina in Bolivia, logistics activity in Chile and petrol stations in Brazil, Chile and Ecuador. The inventories for 2008 and previous years have been adjusted eliminating the emissions stemming from the installations sold.

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Sovereign Explorer rig, in the beginning of the drilling campaign in the Santos basin (Brazil).
Emissions from the manufacture and transport of hydrogen imported to the company’s oil refineries and chemical plants. In 2008 a total number of 0.80 million tons of CO2eq were emitted.

Emissions of marketed fuels

To extend the consolidation perimeter of our greenhouse gas inventory we are for the first time publishing the emissions stemming from usage of fuels. These emissions rose to 171 million tons in 2008.

Energy consumption

The energy consumption at the company mainly takes place at the combustion installations at the refineries and at the exploration and production facilities. In 2008 the energy consumption dropped by 6% in respect of the previous year, due mainly to stoppages in the exploration and production activities in Chubut Cañadón Seco, in Argentina and at the olefin plant at the Tarragona refinery in Spain.
CO₂ capture and storage
Our research work has in the last few years moved forward in the field of CO₂ capture and storage, in particular in the evaluation of its potential for application in the company’s production operations. The injection of CO₂ into hydrocarbon fields improves hydrocarbon recovery rate, apart from the advantages of its geological storage, with the aim of reducing emissions into the atmosphere. The use of CO₂ for improved recovery of hydrocarbons has been the most commonly applied technology on a commercial scale in the last few years. To develop these technologies we have joined different associations and consortiums, a prominent one being the work group at the International Energy Agency (IEA Greenhouse R&D Program) and others such as CO₂Net, CONCAWE, OGP and the Spanish CO₂ Technological Platform. We also take part in the CCP2 (Carbon Capture Phase 2) project, along with the main companies in the sector. This endeavour seeks the development of geological CO₂ storage methods in safe conditions respectful with the environment. In 2008 we continued with the evaluation of technologies for capturing and storing CO₂ at refineries, as well as the associated costs. As part of CONCAWE we have taken part in the study of the feasibility of capture and geological storage of CO₂ at European refineries.

Technological developments
At Repsol YPF’s Technology area we promote the diversification of our products through the production of less carbon-intensive biofuels and other green products, at the same time as implementing energy efficiency programs and seeking technological solutions for CO₂ capture and storage.
In addition, one also mention that we have taken part in the CASTOR project (Casablanca Storage) through the exploration and production area and our Chemicals and Technology areas are involved in the TOPCOMBI project (Towards Optimised Chemical Processes and New Materials by Combinatorial Science). Both projects involve tackling the development of technologies and methodologies applicable to the different stages of a CO2 capture and storage project.

In the last quarter of 2008 we assessed participation in the Nanoglawa project whose aim is to carry out membrane technologies for capturing CO2. The intention is to start to develop the project in the second half of 2009.

Transformation of CO2 into biomass for energy use
Through participation in the CENIT SOST CO2 project, we are contributing to developing technologies for capturing and sequestering CO2 in the form of biomass for energy use. In this project we are going to work on comparing different types of systems for growing algae on scales larger than laboratory settings and on capturing CO2 from each of these systems.

In addition, in 2008 we carried out a technological survey about the uses and transformations of CO2 displaying both the use of improved recovery of hydrocarbons and the transformation of CO2 in products with a view to opening up new technological lines enabling us to generate technological knowledge and business criteria.

ISO 14064: Making progress in the company’s carbon footprint credibility

We are committed to ISO 14064 International standard verification of the CO2 inventory and of the measures intended for reducing the company’s emissions.

ISO standard 14064 details the specifications and tools necessary for designing, validating and verifying the inventories of GHG emissions in the whole organisation and in each of the projects. It furthermore states the procedure for quantifying, monitoring and informing about the reductions of GHG emissions carried out.

Adopting this standard gives credibility and transparency to Repsol YPF’s carbon footprint figures, at the same time as improving the identification and management of risks and opportunities connected with GHG. It also guarantees credibility in the development of baseline at the facilities able to develop CDM projects.

In 2008 the inventories of the following facilities were verified, making up 52% of the inventory of the total CO2 emissions of the company:

- The five refineries in Spain
- The six chemical plants in Spain and Portugal
- The Ensenada chemical plant in Argentina, which has been verified for the first time this year

Furthermore, 79% of the CO2 reductions quantified in the year were verified in 2008.
Present in the debate: technical and scientific organisations

The search of joint solutions with public administrations and sector organisations is another of our strategic lines of action against climate change.

In 2008, along with a further 140 big international companies, we signed the Poznan Communiqué. This initiative comprises a Cambridge University’s Program for Industry and the Prince of Wales’ Corporate Leaders’ Group on Climate Change, and seeks specific measures for reducing GHG emissions, deforestation and the destruction of ecosystems. It pursues the creation of a sounder CO2 emission market and promotes modifications in the development of CDMs in order for the reduction of greenhouse gases, the contribution to development and the transfer of technology to developing countries to be able take place more effectively.

Furthermore, as main sponsors of the World Petroleum Congress, we had a prominent participation in the panel on climate change and energy efficiency. This congress, held in Madrid, was attended by over 5,000 people, representing one thousand companies (including the biggest world oil companies) authorities from around twenty countries, major intentional agencies such as the International Energy Agency and the Organisation of Petroleum Exporting Countries, as well as other groups connected with the oil sector.

Collaboration with sector organisations and other institutions

**Internacional Petroleum Industry Environmental Conservation Association (IPIECA).**

IPIECA is the reference association in our industry, and has the aim of developing good environmental and safety practices in the oil and gas sector’s operations. For this reason we are an active member of IPIECA, where we participate in the work group on climate change, as well as in different work groups on matters to do with the emissions market, technical aspects involving verifications of emissions and development of the CDM, among others.

**Regional Association of Oil and Natural Gas Companies in Latin America and the Caribbean (ARPEL).**

ARPEL is the most important regional association promoting and facilitating development and integration in Latin America and the Caribbean, Repsol YPF being a member of this.

Over the last two years we have presided over the work group for climate change, where we work on aspects connected with reducing greenhouse gas emissions and the management of energy efficiency.

**Spanish Energy Club.**

In the energy efficiency field, in 2008 we took part in the energy savings and efficiency work group, whose aim is to draw up recommendations for improving energy efficiency in different sectors of the Spanish economy.
We sponsor a climate change energy efficiency award in secondary school in Spain

For Repsol YPF it is vital to spread the commitment to the fight against climate change in society and to bring about a debate in which imaginative ideas are provided to mitigate this. One of the best ways to disseminate this commitment is among younger people.

For this reason, we thus became sponsors of the San Viator award for research into Sciences and Humanities, which is one of the most important for Secondary Education and Higher School-Leavers’ Qualification Mid-Level Training Schemes in Spain. This award, which was in its 14th edition in 2008, attempts to encourage its students’ spirit of research and creativity, to give teachers the opportunity to provide a practical and experimental facet to their teaching work and help to gain greater recognition and respect for education communities towards scientific work.

We specifically sponsor the Special Climate Change and Energy Efficiency Award. This award, as its conditions state, seeks to reward “the work best studying and carrying out a feasible project on energy efficiency in the school or family setting, leading to a reduction in CO2 emissions, helping to fight against climate change”.

234 secondary and primary schools from all over Spain took part in this event, involving nearly one thousand students and teachers. In June 2008, after closing the period for reception works, 292 of these had been received - 151 in sciences and 141 in humanities. The winning project in the category of climate change and energy efficiency consisted in building a solar cooker, using recycled materials with which the students built a parabolic sunlight collector. After the proper mathematical calculations they determined the position of the parabola’s focus, where they placed the different items to be heated. Finally the team of students got their different versions under way, experimentally checking the results.

The project is presented in a web format where the different stages involved in preparing the project can be seen in great detail. The prize winners were five 4th year basic education students at a Secondary Education School in Teruel. The jury had particular praise for their efforts to put into practice their knowledge of physics and mathematics in their syllabus to build a device that worked effectively.

Our data

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<tbody>
<tr>
<td>CH₄ (million tons)</td>
<td>0.104</td>
<td>0.146</td>
<td>0.152</td>
<td>0.148</td>
<td>0.143</td>
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<tr>
<td>CO₂ eq (million tons)</td>
<td>23.819</td>
<td>26.190</td>
<td>26.964</td>
<td>27.403</td>
<td>26.550</td>
</tr>
<tr>
<td>Intensity of Refining emissions</td>
<td>0.265</td>
<td>0.264</td>
<td>0.259</td>
<td>0.242</td>
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<tr>
<td>(Tons of CO₂eq/Tons of processed crude)</td>
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<table>
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<tr>
<th>Energy consumption</th>
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<tbody>
<tr>
<td>Fuels (million tons)</td>
<td>6.44</td>
<td>6.46</td>
<td>7.04</td>
<td>7.23</td>
<td>6.75</td>
</tr>
<tr>
<td>Electricity (10⁶ MWh)</td>
<td>3.70</td>
<td>3.84</td>
<td>3.70</td>
<td>3.88</td>
<td>3.74</td>
</tr>
<tr>
<td>Total energy consumption (10⁶ GJ)</td>
<td>294.25</td>
<td>294.54</td>
<td>324.49</td>
<td>344.53</td>
<td>322.56</td>
</tr>
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</table>

| Emissions of CO₂ according to the shareholders’ participation criteria (million tons) (a) | 27.09 |
| Indirect CO₂ emissions (million tons) (b)                                               | 2.82  |
| CO₂ emissions stemming from products (million tons) (c)                                  | 171 (n) |

(1) The emission factors applied for calculating the emissions of CO₂ stemming from the products are based on the “Institute’s Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Gas Industry” of API (American Petroleum Institute).
Our aim is to ensure accident-free workplaces and we thus take on the commitment to offer optimum working conditions as regards safety and health.

We demand a high level of safety in our processes, installations and services, giving special attention to protection of employees, contractors, customers and local environment, and we pass on this action principle to the entire organisation.

We make continuing investments of important human and economic resources to adopt the best management practices and the most advanced technologies for people’s safety. This is all done with the aim of overseeing the safety of people in the world.
Research on the polymer transformation in the Repsol's Technology Center in Mostoles (Spain).
## Our objectives

<table>
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<tr>
<th>Planned activities</th>
<th>Degree of Progress 2008</th>
<th>Objectives 2009</th>
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<tbody>
<tr>
<td>Improvement in safety performance.</td>
<td>Reduction of the Lost Time Injury Frequency for our own personnel and integrated (own staff plus contractors) by 26 and 25% respectively complying in advance with the annual and strategic objectives. Giving 153,524 hours training in safety, which means an extension rate covering 28% of the workforce.</td>
<td>To go on implementing measures to improve safety performance. To go on with safety programs intended to reinforce safety culture and control typical risk situations in our business.</td>
</tr>
<tr>
<td>Reinforcement of safety in processes.</td>
<td>Continuation of the programmes set up for reviewing industrial risk analyses of the company’s facilities. Training work in Spain, Argentina and Peru for the deployment of the Safety Instrumented System Management Regulation, passed in 2007.</td>
<td>Continuing to develop and systematise the systems for analysis of industrial risk in our installations. Continuing with measures for implementation of the Safety Instrumented System Management Regulation.</td>
</tr>
<tr>
<td>Constant improvements to the safety management system.</td>
<td>Certification of 14 new centres or activities according to OHSAS 18001 Regulation.</td>
<td>Extending the scope of OHSAS 18001 certifications to new centres. Continuing with the review and continuous improvement of the Repsol YPF regulation system.</td>
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(OHSAS: Occupational Health and Safety Assessment Series.)
A solid system of safety management

We set common standards of behaviour as regards safety and health at work in all our operations, regardless of the geographical area where our work is done. We furthermore undertake, through our Safety, Health and Environmental Policy, to comply with the legal requisites in force in each place.

Our basis in safety management is the safety and environment management system, which includes a wide range of rules, procedures and guides, aligned with international standard OHSAS 18001 (Occupational Health and Safety Assessment Series) and European Directive 92/82/CE “Seveso II”. The management system covers the typical risk situations of our activity and is constantly updated to incorporate the best practices of the industry and the recommendations of the insuring market.

More certified facilities according to OHSAS 18001 standard

We further the gradual certification of our company’s centres according to international standard OHSAS 18001. In 2008 we certified 14 new centres or activities:

- Exploration and production activities in Colombia and Trinidad and Tobago.
- Plaza Huincul Refinery, Argentina.
- Chemical Methanol plant in Argentina.
- Lubricant and specialities plants in Manguaiade and Azambuja, Portugal.
- Direct Sales and Aviation activities in Argentina.
- LPG Plants in Banática and Matosinhos, Portugal; Neuquén, Argentina; and storage terminal and plant in Ventanilla, Perú.
- Repsol YPF Technology Centre in Spain.

With the new certifications obtained, we have certifications at the nine chemical plants, seven of the nine refineries, 17 of the 18 lubricant and specialities plants, the two technology centres in Spain and Argentina, and at a growing number of the company’s installations: four exploration and production operations, the geophysical operations in Argentina, 28 LPG factories and an underground natural gas storage facility.

All the certificates obtained can be seen at repsol.com.

Safety audits in all our centres

We annually establish a Safety and Environment Audit Plan which covers the execution of internal audits performed by qualified staff from a different centre to the one audited, and external audits.

The method used for carrying out the audits, given in the Manual for Safety and Environment Audits, is applicable at all our operating centres and establishes three-year cycles for all of these to be audited.

In 2008 we carried out a total number of 1,167 safety and environmental audits, 538 of which were internal (1), 168 related to certification processes and 441 statutory ones legally required.

(1) Number of “crossed” internal audits (performed by qualified personnel from a centre different to the one audited). This does not include the internal audits performed by personnel of each centre.
Nothing is more important than people’s safety

In the energy industry safety is a vital aspect involving the whole value chain. The companies in the industry know that our processes and products involve inherent risks, which demand the greatest care.

The latest report on personal safety indicators published by the International Association of Oil and Gas Producers (OGP) in May 2008 confirms the progress made in recent years and gives a realistic image of companies’ performance in protecting employees and contractors. The OGP report contains some encouraging data.

Over the last few years there has been a considerable drop in the number of fatalities. In the 2006-2007 period the reduction was 24%, a figure which continues with the downward tendency started some years ago. Although we will not be satisfied while there continues to be a single accident, the tendency is encouraging and lets us glimpse a future, we hope not too far off, in which accidents will have been eradicated.

This is the future to which people at Repsol YPF aspire. Although accidents are by their very definition unpredictable, at this company we believe that all of them could have been avoided. Our aim is thus to eliminate these completely.

The results that we have obtained over the last few years, while marking a clear improvement tendency, will not allow us to lower our guard. Contractors’ safety, as is shown in the OGP report, is one of the main challenges faced by the sectors in the company, including Repsol YPF.

There is no dual standard at our company. As far as safety is concerned we are all going in the same direction and our knowledge must be shared with no exceptions. We are extending prevention culture, as is only our duty, to our contractors too. We are persuaded that our obligation is not only to make the same requirements of them as we do of our own staff, but that we should cooperate in knowledge and understanding the importance of preserving the highest safety standards. We can and should be their partners and allies in accident prevention and help them to improve their performance in this field.

Our vocation is to be a reference in our sector as regards our employees’ and our contractors’ safety. Although we are inspired and encouraged by the preventive principle that any accident is the result of a failure, and could thus have been avoided, perhaps we will never be able to completely eradicate them. That should never be a reason for discouragement, since what is indeed certain is that all of us at Repsol YPF will never spare any effort in this attempt.
EXTERNAL OPINION

Jorma Karppinen

Health and safety concerns remain a priority

The European Foundation for the Improvement of Living and Working Conditions (Eurofound), a tripartite EU body, is one of the first European agencies established to work in specialised areas of EU policy. Set up in 1975, it has the specific task of contributing to the planning and design of better living and working conditions in Europe.

For many years Eurofound has reported on and carried out research on best practice in European companies. In one of its projects it collected more than a hundred case studies about ‘attractive workplaces’: companies that set a positive example by contributing to the objectives of the Lisbon strategy. Attractive workplace companies not only implemented innovative practices and agreements, they showed it was possible to combine quality employment practices with high economic performance. Through commissioning and reviewing research, Eurofound can identify important stakeholder contributions. Within Eurofound’s work, social partners’ involvement at company and sectoral level can be clearly recognised as crucial in the successful development of these policies.

Eurofound’s European Working Conditions Observatory makes an important contribution to systematising data and information on workplace developments. CSR and workplace health are key indicators within this regular monitoring of trends in the EU and Norway. Eurofound has been able to collate recent reports that reveal the mounting CSR interest shown by a growing number of companies. More responsible corporate approaches are indicated by companies’ increasing operational integration of economic, environmental and social aspects.

Conscious of the health and safety concerns that remain a priority in Europe, especially in some sectors, Eurofound carried out the fourth of its European Working Conditions Surveys in 2005. Interviews of nearly 30,000 workers in the EU, Turkey, Croatia, Switzerland and Norway showed that the most common complaint among European workers was backache (25%) and muscular pain (23%). Results also found that the stress affecting 22% of workers is closely associated to poor job satisfaction and could be an important factor in causing secondary health problems. So musculoskeletal problems together with stress, depression and anxiety remain the most frequent health problems among European workers.

Although the economic situation presents a difficult challenge for CSR, it is important to recognise that CSR is not exclusively related to cost. Eurofound’s information suggests that CSR can be much about processes as about resources. There may therefore be advantages associated with examinations of company processes in a period of economic difficulties. Eurofound’s 2007 conference on MSDs (musculoskeletal disorders) suggests that through the collaboration of experts, social dialogue and transnational interpretation of workplace health data, prevention can be relocated as a design intervention. Cases in Denmark and Germany also showed that in the workplace, improvements in ergonomic design could produce unexpected pressures such as increased operator stress. So there were benefits in a holistic, humanistic company approach. Replies by survey participants suggested that an employee-centred approach in workplace organisation models would lead to health and production benefits. Here, new procedures and processes can be the result of the synthesis of knowledge made available through agencies such as Eurofound.

Jorma Karppinen
Director
Eurofound
In 2008 the reduction in accident rates continued. The Lost Time Injury Frequency rate (own personnel and integrated) dropped significantly regarding last year. The Lost Time Injury Frequency rate for our employees and integrated (our own staff plus contractors’) dropped 26% and 25% respectively in respect of the previous year. In both cases we fulfilled the annual and strategic objectives set. These objectives are part of the annual objectives of the Repsol YPF employees’ who have variable compensation linked to target accomplishment.

Nevertheless, in spite of the improvement action taken and the progress made, in 2008 we had to regret a total number of nine accidents with eleven fatalities, three of these of our own staff and eight of personnel from contractor companies. Five of these deaths were in traffic accidents.

We promote the investigation of accidents and near misses and the identification and analysis of their root causes as a key part of proactive safety management. The identification of the root causes, along with the implementation of corrective action to combat these, enables organisations to prevent accidents from being repeated in the company’s different activities.

We pay special attention to near missed investigation as a preventive aspect since their basic causes could be the same as those of more serious accidents but with
At the Engineering Division of Repsol YPF we have been working from the earliest stages of a project on preparing tools to contribute to reducing the risk of unexpected events happening. The NoA program was developed for the construction project of the Cartagena-Puertollano distillates pipeline.

This program is a tool integrating safety, health and the environment on all levels and in all phases of building work execution, carrying out continuous assessment and monitoring preventive activity to ensure zero accidents. To achieve this goal, the program attempts to implement a safety culture in which the worker has to be the main actor. The active cooperation of workers and their conviction will enable the common objective of zero accidents.

In the preparation of the NoA program for the Cartagena-Puertollano distillates pipeline we took into account the lessons learned in previous projects and works, such as the construction of the Zaragoza–Torrejón pipeline, done by the Compañía Logística de Hidrocarburos (CLH), started up in summer 2008, as well as the best similar programs and patterns.

In all work the situation involves having a large number of workers spread out over large distances, which is why the control of vehicles and workers is one of the priorities for monitoring on-site prevention.

The program includes the best practices implemented until now, some of these being:

- The commitment to education and sensitization in safety, with such initiatives as preparing a pocket guide for safety, which is given to each worker when they come on to the site.
- Promoting the safety observations made by the workers themselves.
- Supervising the workers by means of identity cards.
- The monthly preparation of a safety bulletin to be shown on announcement boards, with immediate information on events or accidents occurring.
- Including a guide for the preparation of work instructions. With the information from these documents we draw up files with safety and health norms which complement the pocket guide.
- The specific procedures for jobs with special risks.

We intend the NoA to be a live tool enabling us to learn from experience, adapting to the peculiarities of future projects and learning from the experience gained at Engineering Division after completing the earlier projects.
People working at Repsol YPF creates the safety culture

We promote the training and awareness of everyone working at our facilities as regards progress in the implementation of safety culture, through training programs for employees and contractors, and setting up channels for disclosing information, rules and technical documentation.

All employees, whatever our job, professional category or geographical location, are responsible for our own safety, depending on our specific functions, as well as for contributing to the safety of the company as a whole. That is why we promote the training of all our staff, according to the model of safety and environment training itineraries designed in 2008.

Training itineraries in safety and the environment form the technical learning system in safety and the environment for two types of groups: people with specific safety and environmental functions (specialists) and persons whose functions do not specifically involve safety and the environment (non-specialists) and cover different ways of training according to their professional situation, such as classroom courses, on-line training or attending seminars and congresses.

For each company business we establish the minimum training required for steering each professional’s technical development so as to give them knowledge about safety and the environment and for this to match the right level of necessary skills most suitable for doing their work.

This training is very important for employees directly involved in the management, operation and maintenance of installations and systems, as well as for those who have direct responsibilities with customers, suppliers and contractors.

In 2008, 12,163 employees were trained in safety and health at work over 153,524 hours. A key part of the training is the Advanced Course on Safety and the Environment and during 2008 we brought out the first two editions.

We also have different channels of internal communication to spread the regulations and relevant technical documentation, as well as to share the information and most prominent facts on safety, such as the internal magazine Conecta, the electronic bulletin Entre nosotros and the corporate intranet, Repsolnet.
Launching of the Advanced Course on Safety and the Environment in 2008

The Advanced Course on Safety and the Environment is intended for our own staff, after the first years of their professional work have been completed. It consists of four modules which cover the main aspects of management of safety and the environment, with a total duration of 160 hours.

- Safety and health at work.
- Industrial safety.
- Environmental management.
- Climate change and energy efficiency.

The aim of the course enables participants to acquire the personal abilities and skills integrated in the company’s model of safety and environment in order to:

- Manage key aspects in the operations of the facilities.
- Learn the tools applied to management of safety and the environment.
- Master the items determining the way to manage safety and the environment in the different organisational positions.

In 2008 we held the first two editions, in Madrid and Buenos Aires, with the attendance of 58 persons.

We promote training for our contractors

Over the last few years training for contractors has been boosted with a view to improving control of the typical risk situations found in the company’s business. In 2008 we gave over 400,000 hours’ training to contractors’ staff. The different business units also arrange meetings with the people in charge of safety at contracting companies in order to assess how far the safety regulations are complied with, analyse the measures for coordinating activities and carry out and propose any corrective measures that we consider fit.

As regards the work done directly with contractors in 2008, we should stress the program for training in preventing specific risks at plants given at Spanish refineries. This program was given to over 5,800 employees of contractor companies and focused on such matters as work permits, confined spaces and hazards of specific chemical products.

Awareness-raising and leadership in Argentina

In the exploration and production area in Argentina, we are developing an awareness raising and leadership program which attempts to foster the safety culture of the people working on our facilities. The aim of this program is to ensure that workers are familiarized with the concepts of safety, health and care for the environment through awareness raising, leadership, operative discipline and commitment.

In 2008 we held 28 “Trainer of Trainers” workshops with a total number of 466 participants counting employees and personnel of contractor companies, also including representatives of trade union organisations.

These workshops are intended to identify people who are considered potential vectors of organisational changes. After identifying them, we get a tutorship process under way intended to strengthen any weaknesses and boost strong points. During the process we identified 68 people as being potential vectors of organisational change, which represents 15% of the total number of people qualified. This tutorship enables fostering the habit of thinking before acting and establishing the foundations of good operating quality and operative discipline approaches.

The process is based on the Go Reality Options wrap up (GROW) method, which envisages an action plan based on an assessment of the present situation and consideration of objectives and targets, based on the existing improvement opportunities. We started this activity at the YPF West Argentina (UNAO) business unit, with seven participants from Catriel, Rincón de los Sauces and Mendoza.

<table>
<thead>
<tr>
<th>Country</th>
<th>Hours’ training</th>
<th>Persons trained</th>
<th>Extension rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>91.148</td>
<td>6.502</td>
<td>29</td>
</tr>
<tr>
<td>Argentina</td>
<td>32.228</td>
<td>4.209</td>
<td>30</td>
</tr>
<tr>
<td>Rest of Latin America (1)</td>
<td>19.944</td>
<td>980</td>
<td>22</td>
</tr>
<tr>
<td>Rest of the world (4)</td>
<td>10.204</td>
<td>472</td>
<td>22</td>
</tr>
<tr>
<td>TOTAL</td>
<td>153.524</td>
<td>12.163</td>
<td>28</td>
</tr>
</tbody>
</table>

(1) The data includes training of our own permanent and temporary staff. It does not include the training of contractors’ personnel.

(2) Extension rate: Percentage of persons who have taken training activities in respect of the maximum number of staff.

(3) Bolivia, Brazil, Chile, Ecuador, Peru and Venezuela.

(4) Libya, Portugal and Trinidad and Tobago.
We actively cooperate with our surroundings. We take an active part in national and international forums to swap experiences and acquire best practices. We also promote the communication with the surroundings where we operate.
We take part in national and international associations. We are also represented in safety work groups at the Asociación Regional de Empresas de Petróleo y Gas Natural de América Latina y Caribe (ARPEL), at the International Association of Oil and Gas Producers (OGP), at the Comisión Autónoma de Seguridad e Higiene en el trabajo de Industrias Químicas y Afines (COASHIQ), the Conservation of Clean Air and Water in Europe (CONCAWE) and at the Asociación Española de Operadores de Productos Petrolíferos (AOP).

**Improving relations with our neighbours**

At Repsol YPF we promote communication with the local setting in which we carry out our business. There are visits by schools, universities and local communities to the company’s facilities all over the world, where special stress is given to safety matters.

We also make social setting surveys known as “industrial barometers” in the areas of influence of the great industrial sites, such as the ones held at the refining and chemical centres in Spain very year. We develop these surveys, which include safety aspects, in order to find out how people perceive us, if the perception is improving or worsening and what we should do to improve.

In February 2009 we also got under way an Advisory Public Panel in Puertollano, Spain, with the aim of opening up a permanent communication channel between the local society and the Industrial Centre. This Panel is made up of a group of fifteen persons from different sectors of society (primary, secondary and university education; housewives, residents’ associations, civil servants, doctors and other social agents) and three representatives of Repsol YPF. The creation of this forum of citizens’ participation was included at the company’s proposal, as part of the requisites of Integrated Environmental Authorisation (further information in the chapter on Dialogue and commitment to the community).

Lastly, we promote our employees’ participation in awareness-raising and training activities on safety matters in different teaching centres and associations.

In 2008 we cooperated with fire prevention company Williams Fire & Hazard Control (WF&HC), a worldwide specialist in managing emergencies in the petrochemical field, in the work done to control the effects of the hurricane in southern Texas.

The members of WF&HC asked Repsol YPF to use two of the pumping units which were intended to be sent to our refineries in Spain. The company immediately authorised their use and the two units were prepared to start to work immediately as a support for other equipment of similar characteristics being used in the zone.

After successfully completing its mission, the equipment was properly reconditioned to be used in our facilities. These pumping units, which can handle very high flows of water, are intended to reinforce the systems used to fight fixed and mobile fires at our refineries, in particular to face up to potential fires at storage parks for crude oil and other liquid hydrocarbons.

In 2008 we also gave special mention to the Conference for Disclosing Risks Associated with Gas and Electric Energy held in Venezuela with a view to disseminating, awareness-raising and preventing hazards associated with Gas and Electricity Generation operations. 80 persons participated in these, including communities, owners, employees of Petróleos de Venezuela (PDVSA), the Ministry for Energy and Petroleum (MENPET), firemen and the mayor’s office.

**Support after hurricane Ike**

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By purchasing these items, we completed the equipment of the five Spanish refineries for intervention in large-scale emergencies in the second half of 2008. The most prominent parts of this equipment are the high-flow portable pumps, which provide up to 23,000 litres per minute, the fire control monitors, to provide up to 38,000 litres of water-foam per minute and the special systems of high-flow hoses with low pressure loss.

We have invested over two million euros in this equipment, not taking into account the development of the infrastructure necessary in fire prevention networks allowing these items to be coupled up. This intervention technology in the field of fire extinction is a ground-breaking development and has vouched for its efficiency in real large-scale fire events such as the Buncefield case.
Safety in contracted services

In the process of selecting and evaluating our contractors and suppliers, one of the priorities is to demand a conduct in line with what is laid down for our own staff.

For this reason the General Purchasing and Contracting Conditions, as well as the framework procedure for qualification and evaluation of company suppliers, require the supplier or contractor to comply with any legislation on safety that is in force and applicable to the order or contract, and in any event, with the norms laid down in the company’s regulations and internal practice.

We also have standards which establish safety criteria for work and services contracted. The aim is to establish a management framework which includes the key items for proper conduct with contractors, such as policies of relations with contractors, qualification of contractors from the safety standpoint, requisites for contracting them and mechanisms for assessment and control in execution of work.

In the qualification process we attempt to assess if a supplier is able to satisfactorily supply goods or services. We establish critical quality based on the goods or services supplied. Apart from collecting information, we carry out an audit on the supplier’s own premises in the case of critical goods or services.

In 2008 measures were taken in the company’s different businesses intended to improve safety in contracted services.

Improving safety in building and redesigning petrol stations

As part of the plan to foster improved safety on building jobs we have carried out different measures intended to implement good practice in work contracted in the service station network.

Extension of the Integral Safety Project (PROINSE) to the petrol stations in Portugal

This project, implemented at petrol stations in Spain in 2005, is based on safety accreditation of the people and companies doing work at petrol stations.

The goal we are seeking through this accreditation is to ensure that we have the proper knowledge for adopting proactive safety attitudes, identifying typical risk situations and applying the general principles of safety, prevention and protection, respecting signposting and safety procedures.

In order to be given the accreditations, workers must attend theoretical sessions and practical work and have to pass a test on knowledge at the end of the sessions. After passing the test we issue a personalised passport which accredits their training and which will have to be shown by the contractors whenever they have to do a job or maintenance task at the petrol stations that the company runs in Portugal.

Increase in inspection capacity

In order to ensure on-site verification of the compliance of safety measures at works and maintenance operations of service stations, both stemming from applicable norms and our own internal procedures, in 2008 we stepped up regular safety inspections, which are performed by an interdisciplinary team made up of our own staff and contracted personnel.

Safety awards given to Repsol YPF and contractors of the Spanish petrol station network

We implemented this endeavour in Spain in 2008 with a view to promoting the implementation of good practice in the work contracted and sharing knowledge in building and refurbishing work. The program has enabled us to identify safer alternative methods to carry out the typical jobs on service stations, such as:

- Elimination of welding and replacing this by other assembly methods.
- Replacement of radial saws with sabre saws.
- Permanent use of a lifeline on roofs.
- Protection of moving parts of petrol pumps.
- Reinforcement of demarcation and signposting of the work zone.
Safety in our processes

To guarantee the protection of the company’s assets and people’s safety, it is vital to ensure proper identification and management of the industrial risk.

We work to adopt the most advanced management techniques for identifying and evaluating industrial risk at all the fatalities and all the phases in their cycle of activity.

We actively promote the updating of industrial risk analysis. All the company’s areas of business currently have plans for reviewing these analyses, both for the new installations and the ones already existing. We perform these plans in accordance with the criteria established in a number of specific norms and guides to ensure that these risks are identified, quantified and properly managed in accordance with the prevention principle, in all stages of the business.

One particular aspect of these risk analyses are the analyses of safety instrumented systems (SIS). To perform these we have a Norm for Management of Safety Instrumented Systems passed in 2007, where we establish a common methodology to manage the electric or electronic safety systems of the processes in the company’s plants for their whole life cycle according to IEC 61511 standard of the International Electrotechnical Commission.

In 2008 we carried out six training courses (in Madrid, Buenos Aires and Lima), intended for the organisation’s personnel responsible for leading any of the stages in the process for managing instrumented safety systems. The main points in which we have concentrated training action include the implementation of safety instrumented systems; techniques for analysis of risks and evaluation of consequences (HAZOP); techniques for prevention or mitigation of risks, analysis of requisites and documentation of the study of maintenance, verification and evaluation concepts of SIS. Nearly 100 people attended these sessions, lasting 40 hours.

We arranged two courses for process safety auditors at the Puertollano and Tarragona petrochemical complexes with the aim of providing those attending with the knowledge necessary to plan and carry out these audits.

The courses were given in the months of March and April by the British consultant Arthur D’Little, and attended by 40 chemical engineers and guests from other fields of the company. Each course lasted five days (40 hours).

In November 2008 we performed a training audit at Puertollano industrial complex (low density polyethylene and propylene/styrene oxide plants) with the participation of six of the auditors trained at these courses.
Safety in transport

We are well aware of the risks involved in transporting people and goods. That is the reason why we pay special attention to safety in all kinds of transport: air, land and sea.

Air transport
To make progress in improving management of air operations, in 2007 we passed a new rule for air transport safety in exploration and production activities, where we establish the principles, responsibilities and functions in both contracting these services and in their later operation.

In 2008 we held the first Seminar on Air Safety in Aberdeen, United Kingdom, in order to discuss and further knowledge about management of air operations.

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And to guarantee that the services of the airline operators contracted or in the contracting process comply with what is laid down, we have carried out an extensive program of aircraft audits and inspections.

In 2008 we made 64 aircraft audits apart from different inspections of heliports and other installations. We include, among others, off-shore activities intended for Spain, Argentina, Brazil, Morocco and the Gulf of Mexico. We also developed a web system for centralising all the audit reports and verifying closure of the resulting actions.

In 2008 we also made progress in improving the safety of aircraft fuel filling operations in Spain, Argentina and Portugal.

Land transport
Training is critical to create a safety culture among all the people involved in transport activities. That is why we develop programs for reinforcing the skills necessary for safety driving, with special stress on adverse weather conditions.

901 employees were given 7,549 hours’ training in 2008 on safety road driving worldwide. We also encourage implementation of measures for training the personnel of contracting companies, such as:

• Preventive driving of trucks at YPF Lubricants, Argentina.

During the month of November we carried out a training program in preventive driving of trucks intended for haulage contractors, in which 150 people took part.

Subjects intended for preventing traffic accidents were dealt with, such as driving processes, the driver’s psychophysical condition and active and passive safety.

• Defensive driving at LPG, Argentina.

In 2008 we held six meetings in different parts of Argentina (Junín, Mar del Plata, Concepción del Uruguay, Barranqueras, Lujan de Cuyo and Montecristi), at which a total number of 3,128 hours training were given to train 391 drivers in defensive driving techniques.

• Sixth Symposium for Exchange on Road Transport Accidents at LPG, Argentina.

The Symposium held in El Portón was attended by representatives of the Nation’s...
Secretary for Energy and Transport; civil servants from Neuquén and Mendoza Provincial Road Authority; representatives of the municipality of Chos Malal, authorities of different production plants in the country and fractionating companies in Argentina and Chile and all the hauliers who load in the zone. We gave 400 hours’ training to 50 people.

• Awareness-raising in transport safety at Direct Sales Spain.

In 2008 we carried out different awareness-raising campaigns intended to prevent the commonest accidents. The aims of these campaigns were to boost the staff’s proactivity in preventing risks, establish safety at work as an everyday matter and exemplify valuable initiatives, fostering their diffusion.

The measures taken focused on training and dissemination measures such as the course on tanker truck driving simulation, complementary to the already existing driving course; the preparation and diffusion of the tanker truck driving manual and the campaigns for awareness raising and ergonomic review of the support devices for API adapter flanges.

These measures meant the number of transport accidents could be cut down by over 50%.

Sea transport

The minimisation of the risk of accidents connected with the transport of crude oil and fuels, either heavy or light, is a priority matter for any company in the sector. That is why we incorporate the most advanced safety techniques and prevention systems, according to international regulatory requirements and best practices.

The measures on sea transport are dealt with in detail in the chapter “Biodiversity, a treasure that we must take care of”.

Safety in the design of aircraft refuelling tanker trucks

We have gradually adapted our aircraft refuelling tanker trucks to the needs of aircraft and the particular ways these operate. We have thus developed and installed devices and systems to guarantee a safe supply operation, both for the worker, for the aeroplane and its crew, also guaranteeing the product’s traceability and quality.

We have installed different systems to improve operational safety, through the installation of automatic control systems for loading fuels; dead-man systems and systems for controlling and regulating the maximum pump pressure and maximum hose nozzle pressure and systems for increasing personal safety in operation, such as a double safety rail on top of the tank, lateral presence detectors to avoid manoeuvres, automatic activation of the handbrake and lifting platforms with anti-height collision sensor and anti-trapping device.

We have implemented these measures in the operations for refuelling planes in Spain, Argentina and Portugal.

Safety in loading and unloading products at refineries in Spain

In June 2008, two voluntary external audits were held at the industrial complexes in Tarragona and Petronor (Bilbao). These audits were carried out by the company Aplus, with the presence of the regional safety advisor for road transport of dangerous raw materials.

The aim was to analyse the procedures, instructions and documents existing in the management systems and check how far these were complied with, as well as verifying the observance of applicable regulations.

The review was made on activities for loading, dispatching and unloading dangerous goods transported by road, with a very high degree of compliance of the aspects reviewed being seen (93% and 95% respectively), the rest being less significant deviations, basically in questions of internal procedures.
Safety of our products

Our products meet the highest requirements regarding environmental, health and safety protection.

We support the principles of the REACH regulation (Regulation 1907/2006) which establishes a normative framework for the registration, assessment and authorisation of chemical products by identifying the properties of the products and their effects on health and the environment. In the framework of the REACH Regulation, the product safety team, belonging to the Technology Unit, has led a work plan with two lines of action in 2008:

Pre-registration of substances subject to REACH
We have set the directives for identifying and later pre-registering the substances that we make or import. Within the deadline set by the REACH regulation, we pre-registered...
External recognition

During 2008 we were given the maximum points for the occupational health and safety of the oil and gas sector in the Dow Jones Sustainability Index World and STOXX Indexes.

a total number of 238 substances which we make or import in amounts over 1 mt/year.

Participation in industrial consortiums coordinating the preparation of registration files

We take part in the consortiums set up until now to comply with regulation obligations. Most of these consortiums have been formed from industrial associations to which we belong, such as Conservation of Clean Air and Water in Europe (CONCAWE), EUROBITUME, European Chemical Industry Council (CEFIC), European Dicyanate & Polyol Producers Association (ISOPA) and International Institute of Synthetic Rubber Producers (IISRP).

Safety data files for all the products

We draw up Safety Data Files (FDS) for all the products marketed by our company, which are used for transmit an information about safety to our customers.

We also draw up Internal Safety Data files (FIS) and Product Information Files (HIP) for workers to learn the dangers of chemical products and the preventive measures for handling these.

These documents are regularly updated depending on the changes in national and international legislation and are managed through a computer application which has allowed us to reach greater efficiency in management and give greater independence to users in different businesses.

We encourage our employees to become familiar with the safety datasheets. We should underline the communication campaign implemented in 2008 for the workers of the Technology Division, intended for better knowledge of the safety data files of the products that they handle.

PR1, PR3]

Our data

We include the safety data for 100% of the employees of the subsidiaries in which Repsol YPF has a majority shareholding and/or operative responsibility (control). For contractors we include any activity under a direct contract with Repsol YPF over one year.

For registration, analysis, follow-up and consolidation of information on accident rates, the company has its own computer tool to which all the company’s centres have access through intranet. This enables effective management and analysis of any accidents and near misses that arise.

For treatment of safety indicators at Repsol YPF, we have a corporate norm which establishes the criteria and common method for registration of accidents and near misses at the company and which is completed with a Data of Safety Indicator Guide.

<table>
<thead>
<tr>
<th>Safety indicator</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee’s lost time injury frequency rate</td>
<td>5.9</td>
<td>3.5</td>
<td>2.5</td>
<td>1.9</td>
<td>1.4</td>
</tr>
<tr>
<td>Integrated lost time injury frequency rate (employee + contractor)</td>
<td>4.3</td>
<td>3.1</td>
<td>2.6</td>
<td>2.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Fatalities</td>
<td>8</td>
<td>7</td>
<td>9</td>
<td>12</td>
<td>11</td>
</tr>
</tbody>
</table>
The oil and gas industry is not free from ethical, environmental and social risks. Integrated management of Corporate Responsibility provides some tools to minimize these risks.

We must search for and find oil and gas in increasingly remote and complex places, highly sensitive due to their biological wealth and vulnerability to the environment. We must show that we are able to obtain the energy resources that society needs without causing any irreversible damage to biodiversity, the environment and local communities. To achieve this, we have the ethical, social, and environmental values enshrined in our corporate standards, the latest available technologies for the protection thereof, and our management team’s commitment to sustainability.

At Repsol YPF, we are receptive to the various opinions of social agents and strive to adapt to their expectations.
Ethics, one of our greatest values

Issues such as Human Rights, transparency, integrity, or the social function of our activities become particularly important in the sectors and spheres in which we conduct our activities. These values, reflected in our Code of Ethics and Conduct (available at repsol.com) guide our behaviour in all parts of the world, and that of our contractors and suppliers.

Among the competencies of the Board of Director’s Strategy, Investment, and Corporate Social Responsibility Committee is the function of knowing and guiding the policy, objectives, and guidelines of Repsol YPF in relation to Corporate Responsibility and of informing the Board of Directors thereof.

Since 2005, the Audit and Control Committee has been entrusted the task of knowing and guiding the policy, objectives, and guidelines of Repsol YPF in matters pertaining to the environment and safety.

To this purpose, the Audit and Control Committee is kept up to date on the evolution of the key safety and environmental parameters as well as on the actions taken and on Repsol YPF’s objectives in this respect.

Reptrak: Measuring and managing reputation

The Reptrak model, launched in 2005 and resulting from the collaboration between the Corporate Reputation Forum in Spain and the Reputation Institute, has become an international benchmark.

We use this corporate reputation’s monitoring and management model to measure, in the main countries where we operate, the relevance that the society, customers, employees and shareholders give to the questions and the perception they have about our performance.

The 7 dimensions:
1. **Products and services**
   - High quality
   - Value for money
   - Stands behind
   - Meets customers need
2. **Innovation**
   - Innovative
   - First to market
   - Adapts quickly to change
3. **Workplace**
   - Rewards employees fairly
   - Employee well-being
   - Offers equal opportunities
4. **Governance**
   - Open and transparent
   - Behaves ethically
   - Fair in the way it does business
5. **Citizenship**
   - Environmentally responsible
   - Supports good causes
   - Positive influence on society
6. **Leadership**
   - Clear vision for the future
   - Excellent management
   - Appealing leader
   - Well organized
7. **Performance**
   - Profitable
   - Better results than expected
   - Strong growth prospects
## Our objectives

<table>
<thead>
<tr>
<th>Planned initiatives</th>
<th>2008 progress</th>
<th>2009 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve communications with the community.</td>
<td>Create a Public Advisory Panel at the Puertollano Industrial Complex.</td>
<td>Assess the initiative and study in order to implement it at other company sites.</td>
</tr>
<tr>
<td>Develop collaborative working platform and reporting.</td>
<td>Create a practice community for corporate responsibility issues. Adapt the body of practices in Safety and the Environment on issues pertaining to community relations to share best practices and the actions carried out by each unit.</td>
<td>Improve current tools to be able to share practices within and outside the company. Align the manuals of the London Benchmarking Group (LBO) to the company.</td>
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</table>
We must be aware, in our day-to-day work, that a company such as Repsol YPF is a factor for change and exerts a social influence in the areas and communities where it operates. Accordingly, all of us who are part of the company must be mindful of any situation that may jeopardise our compliance with laws, our respect with regards to the rights or the welfare of third parties, and that our company must be honest and inspire trust so that we may play an active role in preventing such situation.

To this end, we must keep our impartiality and objectivity intact in our relations with public organizations, private entities, and with any type of association that represents our stakeholders; we must be open and transparent in our decisions, safeguarding confidential information; we must act in an upright fashion in markets; contribute our personal and professional efforts to alleviate pressure on the environment; maintain and reinforce the communication channels with the community, and, most importantly, we must be aware of any conflict of interest that could undermine our ethical commitment.

We are aware that sometimes it may be easier to ignore an inappropriate action rather than reporting it internally, as should be the case, serenely, rigorously, and openly. This has been and remains our challenge and this is one of the reasons for having created the Repsol YPF Ethics Committee to ensure that no ethical conflict is considered taboo within our organization. We are aware that the consequences of ignoring this could prevent us from taking the required action and the reaction to which we must also respond.

All of us are responsible for our actions and are under the obligation of knowing, understanding, and complying with the highest levels of ethics and integrity that the company demands, particularly the management team whose leadership is essential for reinforcing the climate of integrity and transparency in our company.

We are convinced that capital, product, and employment markets reward upright and transparent companies that can attest to their exemplary behaviour.

Accordingly, at Repsol YPF we have developed several initiatives in recent years to increase awareness on the culture of responsible behaviour in our relations based on the principles and values outlined in our Ethics and Conduct Regulation.
AnnuAl CorporAtE rEsponsibility rEport

ETHICAL bEHAVIOUR IN OUR rELATIONS

Transparency and trust are essential for creating sustainable businesses

In recent years many companies have awakened to the fact that their businesses benefit greatly from adhering to high ethical standards in relations with stakeholders and the local communities where they operate. Given the current global economic crisis and the business practices that in many ways created it, at no time in the past have building trust and increasing transparency been more important elements of a sustainable business model. This is why companies are devoting time and resources on building trust with local communities.

Building trust, improving accountability and minimizing the risks of corruption starts with companies and governments acting transparently. This is especially important for oil, gas and mining companies that often operate in countries with young and at times weak governance institutions. In such environments, it is even more important for companies to engage with local stakeholders to ensure that the people are benefitting from their activities.

In close to 30 resource-rich countries around the world, extractives companies are indeed coming together with governments and the civil society through their involvement in the Extractive Industries Transparency Initiative (EITI). The basics of the EITI are simple and rest on two pillars. The first one is about transparency between companies and governments. Companies operating in a country report what they pay to the Government in taxes, royalties, and other payments. The Government, on other hand, report what it receives from the companies. The figures are compared, to ensure that nothing goes missing. The second pillar is the accountability mechanism between the Government and its citizens. The Government convenes a working-group that brings together civil society and the private sector to oversee the implementation of the EITI. When Repsol YPF and other extractive companies publish what they pay in taxes and royalties to the government, this demonstrates a company’s willingness to operate openly and honestly.

One of the key strengths of EITI is that each stakeholder group has so much to benefit from constructively engaging with the others. For companies, the reasons to engage are compelling since EITI:

- provides a means of engaging with stakeholders and helping to create a culture of accountability;
- promotes a more transparent business environment which improves governance and reduces corruption;
- sends a strong signal to the investment community about the country’s intentions to continue to improve transparency and the business climate;
- improves public accountability and governance capacity;
- reinforces a company’s international credibility; and
- illustrates actions based upon a company’s principles.

Well-managed companies want to invest in countries governed by transparent and fair rules. They want to be part of public discussion and to engage with their stakeholders and external audiences, including local communities and governments.

Repsol YPF is already engaged in national EITI processes in the countries Kazakhstan, Peru and Sierra Leone. In addition, Repsol YPF and 40 other of the largest extractives companies are supporting the EITI on the international level. The EITI depends on that these companies, as well as the supporting governments including Spain, share our vision of the EITI as the norm for transparency in revenues from natural resources.

The implementation of the EITI is first and foremost the responsibility of governments. There is however much companies can do to support and promote the implementation of the EITI. Such support requires leadership. Some companies have to be the first to say that business as usual is not enough. Some companies have to be the first to say that business can be done more transparently and in frank engagement with stakeholders. The implementation of the EITI is an improvement, demonstrating that change is possible. We must continue together on this path.

Jonas Moberg
Head of Secretariat
Extractive Industries Transparency Initiative

EXTERNAL OPINION

Transparency and trust are essential for creating sustainable businesses
Our Ethics and Conduct Regulation

The Ethics and Conduct Regulation guides the behaviour of all Repsol YPF employees, irrespective of their jobs or the country in which they work. This regulation encourages respect for ethical principles, laws, and local cultures.

Ethics Committee
The Ethics Committee is responsible for ensuring compliance with the regulation throughout the company.

The appointment and replacement of this committee’s members is made by the Executive Committee and the committee is responsible for the appointment of its members.

The members of the Ethics Committee in 2008 were as follows:

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

The members of the Committee, whose appointment and replacement are made by the Executive Committee, and who are not remunerated for performing their functions in this Committee, are Repsol YPF executives who:

- Contribute, within their respective areas of activity, to investigate any communications forwarded to the Committee, as well as the implementation of the Committee’s resolutions and the execution of its agreements.
- They are sufficiently empowered to make decisions within the Company.

Internal procedures of the Ethics Committee
Since its inception, the Ethics Committee has met on eight occasions.

In December 2006, the Committee approved its internal distribution of responsibilities and its regulations which includes a detailed description of its attributes, its meeting procedures, the rules for adopting agreements, and the general duties of its members.

Channels for communicating with the Committee
The committee has a software application so that anyone is able to send the Committee queries on the Ethics and Conduct Regulation and report any breach of violation of the conducts contemplated in the regulation. This application is available at the Repsolnet intranet and at repsol.com

Communications may also be sent by post or e-mail to the following addresses:

Comisión de Ética de Repsol YPF SA
Paseo de la Castellana 278
28046 Madrid, España
comisiondeetica@repsol.com

As to forwarding anonymous reports through the above-mentioned communication channels, the Article 29 Data Protection Working Party (E.U.) in its Opinion 1/2006 of 1 February, recommends that, as a general rule, only identified reports should be processed although it accepts the possibility, on an exceptional basis, of processing anonymous reports.

The Spanish Data Protection Agency, however, in its opinion on creating corporate whistle blowing systems, recommends that the system should only process reports in which the party is identified so as to ensure the quality of data.

Accordingly, in the reports sent to the Ethics Committee through the channels set up for this purpose, the party filing the report should be identified, even though this does not preclude guaranteeing total confidentiality when handling these reports.

In the event that the Ethics Committee received information on situations in connection with cases of alleged corruption and/or bribery, the Committee would determine the course of action to take and, if this was the case, perform the necessary investigations and propose the corresponding measures to address such situations. To date, no corruption within the company has been detected through the Ethics Committee. [SO4]

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

In addition to other venues, such as direct communication with the hierarchical line, the Ethics Committee or the Audit Committee, any founded suspicion on possible wrongdoings in relation to the company’s activity can be reported to the Corporate Safety Unit.

Since its creation, the Committee has received more than 50 reports directly or indirectly in connection with the Ethics and Conduct Regulation.

The main issues reported to date relate to commercial claims (30.2%), labour situations (24.5%), contractual relations
with suppliers and contractors (17%),
and queries and requests for information
(13.2%). [HR4, HR6, HR7]

Dissemination of the Ethics
and Conduct Regulation
One of the main functions of Ethics
Committee is to disseminate the Ethics and
Conduct Regulation among Repsol YPF
employees.

The Repsol YPF Ethics Framework
Deployment Plan has been developed for
all Repsol YPF employees around the world.
The actions envisioned in this plan started to
be implemented in the last quarter of 2007.

Information reported to the Audit and
Control Committee
The Repsol YPF Audit and Control
Committee meeting held on 25 September
2009, the Chairman of the Ethics
Committee reported several matters,
including the current composition
of the Committee; the channels for
communicating with the Committee; the
meetings held; the Committee Regulations;
other matters in relation to its internal
procedures; the information campaigns
carried out; and the main issues that had
been reported to the Committee.

Internal Control System
The Repsol YPF Financial Reporting Internal
Control System, established in accordance
with the Sarbanes-Oxley Act (enacted in
the U.S.), contemplates specific controls
in relation to the Ethics and Conduct
Regulation and the mechanisms set up to
ensure compliance thereof.

The principal objective of these controls is
to ensure that:
• The Ethics and Conduct Regulation is
formally approved by the corresponding
corporate bodies and that it is duly updated,
published, and disseminated.

• The mechanisms to ensure compliance
with the Ethics and Conduct Regulation, such
as the Ethics Committee and the channels
for communicating with this Committee
(software, e-mail, and postal address) are
formally set up and function properly.

Furthermore, since the company’s shares
are listed in the New York Stock Exchange,
we are required to file the Annual Report
on Form 20-F before the US Securities and
Exchange Commission (SEC). This form
contains the income statement and financial
information on Repsol YPF in accordance
with the criteria established in U.S. law.

Since this report is registered at the SEC,
the company’s external auditor, Deloitte,
checks the effectiveness of the Repsol YPF
Financial Reporting Internal Control System
on a yearly basis.
Reputational and ethical risks

Repsol YPF management identifies, assesses, and manages the risks inherent in our activity in accordance with the best international practices in this respect.

Five types of risks are defined in our Risk Map:
• Market risks.
• Economic-financial risks.
• Strategic risks and those relating to the economic scenario.
• Operational risks.
• Regulatory and compliance risks.

Risk management is an ongoing process which is based on identifying the risk and defining a strategy for controlling it.

The Corporate Responsibility Unit in our organization is responsible for managing and assessing reputational values and risks jointly with the units directly involved in accordance with the guidelines and policies of the Corporate Reputation Committee and the company’s senior management.

Reputational risks
The operational risk category includes the risks that can damage, impair, or cause the loss of the Company’s reputation.

The corresponding corporate areas and business units are responsible for managing these risks. Their task is to minimize such risks by implementing measures and controls.
with regard to safety, the environment, or relations with the communities. We have adopted Reptrak, a tool for monitoring and managing our reputation. This tool has become an international reference standard. The model defines a level of relevance and priority for each of the analysed attributes (product and service offering, citizenship, innovation, leadership, and finance) and for each stakeholder, also providing information on the sector.

**Ethics and conduct related risks**

Failure to comply with our ethical principles could lead to sanctions, litigation, and claims; loss of market value, image, reputation, partners, customers, and suppliers; or impair our relations with governments and authorities, even affecting our ability to continue operations. These ethical and conduct risks are also considered operational risks.

Oversight of these risks is entrusted to several bodies:

- Ethics Committee: manages the oversight system and compliance with the Ethics and Conduct Regulation.
- Audit and Control Committee: supervises the process financial information preparation process, the integrity thereof, and internal audit activity; it examines ethics and conduct regulation projects; decides on the investigations or measures to be adopted with regard to reports received through the communication channel designed for such purposes; and oversees compliance and enforcement of conduct related regulations in securities markets.
- The Appointments and Remuneration Committee: reports to the Board of Directors on the Directors’ compliance with the obligations stipulated in the Articles of Incorporation and in the Board of Directors Regulations.
- Strategy, Investment, and Corporate Social Responsibility Committee: its functions include knowing and guiding the Corporate Responsibility policy, objectives, and guidelines.
- Corporate Reputation Committee: is in charge of preparing and monitoring compliance of the Corporate Responsibility Master Plan and the Human Rights policy. The governing bodies determine the level of uncertainty and risk that the company can assume to reach the outlined objectives and to generate value for society in general and our stakeholders in particular.

Risks of fraud in financial reporting

To the purpose of creating and maintaining a culture of honesty and ethics in the company, the Repsol YPF Corporate Audit and Control Division prevents bad corruption and bribery practices affecting financial reporting by means of an internal control system. In accordance with the provisions of Section 404 of the Sarbanes-Oxley Act, the company has developed a series of documents that comprise the Internal Control System for the Company’s Financial Reporting:

- Inventory of Financial Reporting risks.

As part of the regulatory framework, the company has developed internal standards for Financial Reporting Fraud Risk. Management to assess and control fraud risks. The strategy includes information and communication channels on anti-fraud programmes and controls, the effectiveness of which is subject to oversight. In certain cases, employees receive training in relation to these communication channels, for example, written manuals and spaces in the Repsolnet corporate intranet.

As regards the Internal Audit function, the Corporate Audit and Control Division checks if there is a risk of fraud in each of the projects of the audited units. The company also has an inventory of controls to minimise the risk of fraud in the Financial Reporting internal Control System. Lastly, the On-line Audit has designed warning mechanisms to detect any possible fraud or atypical situations.
We conduct activities in places where the protection of Human Rights remains precarious. We have approved specific corporate policies to contribute to safeguarding these rights.

Our Human Rights commitment is defined in our Ethics and Conduct Regulation, in our Policy for the Respect of People and their Diversity, and in our Policy of Relations with Indigenous Communities. The contents of these policies are based on international standards, such as the Principles of the United Nations Global Compact, the fundamental labour principles and rights, Convention No. 169 of the International Labour Organization, OECD Guidelines for Multinational Companies, and the guidelines of the International Association of Oil and Gas Producers (OGP).

We also work to extend these principles to our suppliers and contractors. In accordance with the general terms and conditions for procurement and contracting, companies awarded contracts in any part of the world must comply with fundamental ILO conventions and other safety and the environment related aspects. Failure to comply with any of these commitments is considered grounds for rescinding the contract.

During the process of rating suppliers that provide goods and services that we consider critical or semi-critical, suppliers must fill out several statements. One of these refers to labour rights and safety and environmental issues contemplated in current law and in the fundamental ILO conventions. In addition, we request information on their adherence to the principles of the United Nations Global Compact and specific Corporate Responsibility policies.

Human Rights management involves several issues that affect different stakeholders and corporate areas. This requires coordinated actions in areas such as human resources, external relations, legal services, and the specific areas in the different business units. We are also involved in several social responsibility working groups of entities such as the International Petroleum Industry Environmental Conservation Association (IPIECA) or the Asociación Regional de Empresas de Petróleo y Gas Natural de América Latina y el Caribe (ARPEL) (Regional Association of Oil and Natural Gas Companies of Latin America and the Caribbean). The company participated actively in the specific Human Rights IPIECA group, whose last publication was “Human Rights and Ethics in the Oil and Gas Industry”.

We promote microloan programs in Ecuador.
We are committed to respecting and safeguarding the rights of indigenous people in compliance with existing law, treaties, and international agreements, whether or not these are incorporated in the law of countries where we conduct operations, particularly the obligations established by the States that ratified Convention (No. 169) concerning Indigenous and Tribal Peoples (1989) and the Declaration on Rights of Indigenous Peoples adopted by the United Nations General Assembly (2007).

We are aware of the impacts, positive and negative, and of the opportunities that we can create so that indigenous communities share in and benefit from the activity related to the company’s projects, which can contribute to fulfilling their aspirations for economic and social development.

In particular, we recognise:

- The differential character of indigenous communities, the duty of States to respect and promote their human rights and fundamental liberties and, particularly, their organizational, economic, and social structures.
- The right to maintain their customs and social practices.
- The right to own property and the land that they have occupied traditionally as recognised by applicable current legal regulations.
- The right to free, prior, and informed consultation, in good faith, and in a manner appropriate to the circumstances, on the projects affecting them in order to reach agreements or secure their consent.
- The right to participate, whenever possible, in the benefits stemming from the production of oil and gas resources in their land.
- The right to fair compensation for any damages that they may suffer as a result of these activities.
- The right to choose their development model in accordance with the legal framework in force in each country.
Corporate Security

Our Corporate Security activity focuses on protecting people, interests, and goods in anticipation of any internal or external aggression that could arise, implementing the appropriate preventive and reactive measures, and encouraging a culture of safety.

Protecting installations and people in a sector as strategic and critical as the energy sector is essential to ensure international energy stability. To achieve this, we manage risks by identifying, preventing, detecting, and responding to threats or incidents of any type to recover normal day-to-day activity. We hire personnel from accredited companies specialising in safety to carry out these tasks in each of the countries where we operate.

In 2006, we approved the Corporate Security Policy within the framework of the company’s Ethics and Conduct Regulation, adopting international criteria such as the Voluntary Principles on Security and Human Rights of the International Association of Oil and Gas Producers (OGG) on the use of firearms and security forces.

We strive to protect people from all external threats, particularly expatriates exposed to country risk. We have a modern, dynamic, coordinated, and efficient Safety Unit with duly trained, motivated, and informed heads of Corporate Security in each country. This unit is involved in decisions that require their advice, and acts through standardised operating and coordination procedures.

In the event of abuses inflicted by security services, employees can use channels set up for the purpose of reporting such abuses: the communication channel at the business levels and specific internal Corporate Security letter boxes for anonymous complaints. The public can access these communication systems through repsol.com

The Corporate Security Unit reports to the Ethics Committee any particularly relevant issue that could be construed as breach of the Ethics and Conduct Regulation and then addresses it as soon as possible. To date, no Human Rights related issue has been reported.

We have action plans for different emergency situations based on the warning levels. Agreements have been entered into with various security companies to evacuate employees in the event that this is necessary.

We also have a procedure for the analysis and management of safety vulnerabilities and risks affecting our installations. Our method, based on specific quantitative criteria for the industry, aims to identify, analyse, and assess factors that could pose a risk in order to make the best decisions based on the information at our disposal.

The method is of a sequential nature and each of its phases is supported by data obtained in the preceding phases. The process is as follows:

1) Definition of risk, based on the threats stemming from anti-social activities.
2) Analysis of the risk by applying the following criterion of magnitude
programmes teach private security teams some essential notions on human rights: its historical development; legal categories; the constitutional principles underpinning countries governed by the rule of law; the constitutional functioning of human rights versus other subjective rights; and how important it is for each individual to live up to his/her responsibilities.

In short, we make efforts to ensure that security personnel understands its role in the context of constitutional regulations and current national and international law to prevent violations, arbitrary or discriminatory conducts that entail physical or moral violence against individuals. Our recommendation is to always opt for a preventive and deterrent approach.

Critical energy infrastructures

The strategic importance of some of our infrastructures makes it necessary to implement safety procedures in collaboration with the governments of several countries.

Such is the case with regards to the Canaport offshore liquefied natural gas terminal in Canada. In accordance with the country’s laws, the Government is responsible for assessing possible threats and the risks in order to implement the most appropriate security measures.

In Spain, we provide information on the company’s installations considered critical to the National Centre for the Protection of Critical Infrastructures (CNPIC) which reports to the State Secretariat for Security, which defines the warning levels for the country. In the event that the level of alert increases, the State security forces are sent to the facilities. CNPIC permanently alerts the company in connection with any relevant event that could affect the safety of our operations.

In Mauritania, we have entered into a voluntary agreement with the Ministry of Defence for protecting our operations in the country.

We adhere to international security standards for harbours in relation to operations involving vessels, under the supervision of port authorities, such as the Code for the Protection and Security of Vessels, Harbours, and Waterfront Facilities, a procedure designed after the 11 September 2001 terrorist attacks in the United States. Compliance with this code is mandatory worldwide and its objective is to protect goods, merchandise, and people against possible terrorist attacks.

Safe use of firearms

In accordance with our policy, we reject the use of firearms by private security contractors on a general basis, except in high-risk regions or if national law makes it mandatory (such as in Spain pursuant to the Private Security Act).

Human Rights training

Corporate Security personnel, as well as contractors and suppliers, must receive training in Human Rights as an essential requisite for contracting. We request documentary evidence and our agreements include a provision that calls for the termination thereof in the event that action that violates Human Rights is detected.

In addition, the company’s in-house training
Integrity and transparency in our relations

To build trust with our stakeholders, we strengthen our relations based on the mutual benefit.

Shareholders and investors
With regards to investor relations, we draft, steer, and coordinate the necessary measures in order to be as transparent as possible in our dealings with the financial community, ensuring that information is as correct, consistent, and accurate as possible. Equitable treatment in our relations with shareholders, as outlined in the Board of Directors Regulations, is an example of this commitment.

In 2008, Repsol YPF was once again the leader in transparency in the Dow Jones Sustainability Index.

Relations with governments and society
The company declares its political neutrality to public administrations in the host countries where we operate.

We play an important role in the economic development of these communities. In 2008, Repsol YPF paid 16,341 million euro in taxes, of which 88% were levied taxes and the remainder was corporate income tax.

<table>
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<tr>
<th>Levied taxes (million euro)</th>
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<tbody>
<tr>
<td>Spain</td>
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<tr>
<td>Argentina</td>
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<tr>
<td>Rest of the world</td>
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</table>

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<tr>
<th>Income Tax expense (millones de euros)</th>
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<tbody>
<tr>
<td>Spain</td>
</tr>
<tr>
<td>Argentina</td>
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<tr>
<td>Rest of the world</td>
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As part of our commitment to transparency, Repsol YPF is a member of the Extractive Industries Transparency Initiative (EITI), providing financial support and the backing of its professionals to promote transparency in tax and royalty payments.

An initiative to support transparency
The Extractive Industries Transparency Initiative (EITI) is an international reference that promotes transparency in the oil, gas, and mining industries.

EITI is a multilateral and voluntary initiative involving governments, international organizations, state and private companies, investors, and social agents which form its working groups.

Once the government of a country launches this initiative, other local social and economic agents become involved in the process.

A committee of all the parties involved select an independent administrator who applies international accounting principles and prepares a work plan after identifying the technical and financial needs.

We are active participants in this initiative in countries where we have operations and, as these countries start to show their support, we contribute resources so that we can play a role in the working groups that may be formed. Of the countries where we operate, Equatorial Guinea, Kazakhstan, Liberia, Mauritania, Nigeria, Peru, and Sierra Leone are at the most advanced stage in respect of this initiative. We are members of the working group created in Peru and seek the opportunity of being part of other working groups as these are created.

We also participated in the panel of experts at the seminar organized by the Ministry of Foreign Affairs and Cooperation to promote EITI coinciding with the EITI Board Meeting held in Madrid in May 2008.

We are committed to progressing jointly with EITI in promoting transparency among companies in the extractive industry and in the governments of countries where we operate to fight poverty and to foster socioeconomic development in countries rich in natural resources.

Diversity and work-life balance
Our commitment to integrity and transparency is underscored in our business model which recognises the contribution of the company’s employees, respects their diversity, bans any discriminatory practices, and provides equal opportunities.

This philosophy reinforces the employee-company relationship, and their pride in being part of the company, in addition to improving our reputation in the community and markets. This represents a great competitive advantage since it provides new points of view in the decision-making process and in our handling of new social challenges.

We encourage the work-life balance since this enhances enormously the quality of life of our employees.
Further information on human resources is included in the section “Our people, our competitive advantage”.

**Our workers’ rights**

Our Policy on the Respect for People and their Diversity recognises the right of membership in trade unions.

The specific guidelines are contained in our Labour Relations Policy which stresses the relationship with trade unions or other associations of workers’ representatives as indispensable for achieving a stable social and work environment.

We negotiate collective bargaining agreements directly with trade union representatives or adhere to the conditions agreed in collective bargaining agreements for the industry.

These collective bargaining agreements regulate management of employees and our professional careers, contemplating issues such as salary distribution, training and career development, and the maximum time that an employee remains at the starting salary level. In all cases, these agreements are aligned to the particularities of each of our activities.

In Spain, in November 2008, a year which passed without having any labour unrest, we began negotiating the Fifth Framework Agreement, creating a negotiating round table and submitting the platforms to be negotiated.

In 2008 we completed implementing the measures foreseen in the staff restructuring plan at LPG, which had been affected by the closing of three factories and the partial closing of another three.

In Argentina, three agreements govern the labour conditions of employees at refineries, exploration and production, service stations, and LPG. Approximately 42% of employees subject to the YPF SA and OPESSA collective bargaining agreements are represented by Sindicato Único petrolero and Hidrocarburífero (SUPeH). YPF GAS, S.A. personnel subject to the collective bargaining agreement are represented by Federación Sindical Argentina del Petróleo y Gas Privado (FASP y CP). Most of our contractors’ employees have some type of trade union representation.

In addition, in 2008 we reached several salary agreements in Argentina with trade
union representatives and participated in the negotiations for the collective bargaining agreement applicable to contractors in the exploration and production division.

In the last quarter of the year, we agreed with the main oil industry trade unions and federations to suspend collective bargaining negotiations in force, with company representatives agreeing to maintain current occupation levels. The agreement was executed jointly with the authorities of the Ministry of Federal Planning, Public Investment and Services of the Ministry of Labour, Employment, and Social Security, and with the authorities of Neuquén, Chubut, and Santa Cruz provinces.

Repsol YPF and the trade unions of the countries comprising the Coordinator of the Trade Union Network (which includes countries where Repsol YPF has a very active presence in Latin America - Argentina, Bolivia, Brazil, Colombia, Ecuador, Peru, Trinidad and Tobago, and Venezuela - plus the CC OO and U G T trade unions in Spain) signed a Protocol Agreement in the last quarter of 2008. In this Protocol, the company recognises the Trade Union Network as the point-of-contact for exchanging information and for considering the issues that the parties to the agreement deem fit. It facilitates rapport and coordination among the trade unions and their members on issues and problems affecting all Repsol YPF employees.

Main steps forward in labour practices

In Algeria, salaries and supplements are stipulated in the collective bargaining agreements that we negotiate with workers’ representatives. In the absence of other agreements, these are signed with each employee. On a general basis, fixed remuneration is based on two concepts: base salary and salary supplements (for the specific post, transport, meals, schools, etc.) which can never exceed 50% of the base salary.

All companies with 20 or more employees are legally entitled to form trade unions and this option, consequently, is available to all our workers.

We have drafted an Internal Regulations governing the relationship between the company and employee, which all employees, local or foreign, must sign. This is a legal requisite in order to be able to hire employees in the country.

All local employees have annual medical check-ups at a local clinic.

In Bolivia, the right of association exists in the form of employers’ associations, guilds, mixed systems, and at company level. The companies in Bolivia in which Repsol YPF holds a majority stake have formed their trade unions.

The proportion of women in the payroll has improved in the last few years, from 27% in 2005 to 29% in 2008.

Of the 178 direct employees, 12% are foreigners.

In Brazil, employees are members of the Sindicato de Trabajadores en el Comercio de Minerales y Derivados de Petróleo (SITRAMICO), the Sindicato Nacional de Empresas Comercializadoras de Petróleo (Sincom, for E&P, Lubricante and Functional Areas) and the Sindicato de Empresas Distribuidoras de LPG (Sindicas).

The Human Resources action plan for 2009 contemplates hiring people with different capabilities and young apprentices.

In Ecuador, we generate job opportunities for indigenous communities and do not encourage them to change their way of living.

In the United States, we comply with all federal and state labour laws on equal job opportunities, non-discrimination, and on hiring people with different capabilities.

### Employees affected by collective bargaining agreements by region

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<tbody>
<tr>
<td>Spain</td>
<td>18,431</td>
<td>14,440</td>
<td>18,460</td>
<td>14,101</td>
</tr>
<tr>
<td>Argentina</td>
<td>13,338</td>
<td>6,882</td>
<td>11,962</td>
<td>6,103</td>
</tr>
<tr>
<td>Rest of Latin America</td>
<td>2,385</td>
<td>384</td>
<td>3,339</td>
<td>1,056</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>2,546</td>
<td>1,651</td>
<td>2,540</td>
<td>1,318</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36,700</strong></td>
<td><strong>23,357</strong></td>
<td><strong>36,302</strong></td>
<td><strong>22,578</strong></td>
</tr>
</tbody>
</table>
In the United Arab Emirates, expatriates’ salaries are determined in Madrid and the salaries of Repsol Exploration Advanced Services (REAS) in Switzerland. Local employees’ salaries are determined by the Dubai office.

There are seven local employees who earn a base salary plus lodging, transport, and meal supplements. The Human Resources Manual complies with Repsol YPF global policies and the labour laws of the UAE and Dubai. All our employees enjoy medical insurance coverage.

In Portugal, collective bargaining agreements are entered into by the different companies in the sector and representative trade unions. A single representative for all the companies acts as a point-of-contact with the trade unions and is responsible for reviewing the agreements on an annual basis. All agreements are based on the principles of non-discrimination and equal opportunities.

In Venezuela, we are an active member of the Asociación Venezolana de Hidrocarburos (AVHI), participating in its Human Resources, Health, Safety, and the Environment Committee and maintain contacts with its Human Capital Committee. For the first time, the company obtained the maximum rating in occupational health and safety.

After a strict evaluation process, the international Dow Jones indices select the companies with the best performance in respect of three aspects: economic, social, and environmental.

In the economic aspect, the company is one of the most transparent in the sector, obtaining the highest rating in transparency and in customer relations. In addition, the company increased its rating significantly in Exploration and Production. Our rating in this respect is above the average for the sector companies included in the Dow Jones Sustainability Indices.

In environmental aspects, the company obtained the highest rating for the first time in biodiversity and in environmental policy and management, and, for the second time, for its strategy on climate change. Our rating in this respect is higher than the average for sector companies listed in the Dow Jones Sustainability Indices.

With regards to social issues, the company’s rating is considered the “best in class” for the sector, obtaining the maximum ratings in human capital development, social impact on the community, and occupational health and safety.

Remaining listed in the Dow Jones Sustainability Index confirms the principles of transparency, commitment, and corporate responsibility contemplated in the company’s Corporate Responsibility 2007-09 Master Plan.

Results of the Dow Jones Sustainability Index evaluation in 2008

For the third consecutive year, Repsol YPF is part of the selective global sustainability index, the DJSI World (Dow Jones Sustainability Index World) and the European DJSI STOXX Index (Dow Jones Sustainability Index STOXX), obtaining again the highest rating as in the previous year in transparency, human capital development, and social impact in communities. For the first time, the company obtained the maximum rating in occupational health and safety.

After a strict evaluation process, the international Dow Jones indices select the companies with the best performance in respect of three aspects: economic, social, and environmental.

In the economic aspect, the company is one of the most transparent in the sector, obtaining the highest rating in transparency and in customer relations. In addition, the company increased its rating significantly in Exploration and Production. Our rating in this respect is above the average for the sector companies included in the Dow Jones Sustainability Indices.

In environmental aspects, the company obtained the highest rating for the first time in biodiversity and in environmental policy and management, and, for the second time, for its strategy on climate change. Our rating in this respect is higher than the average for sector companies listed in the Dow Jones Sustainability Indices.

With regards to social issues, the company’s rating is considered the “best in class” for the sector, obtaining the maximum ratings in human capital development, social impact on the community, and occupational health and safety.

Remaining listed in the Dow Jones Sustainability Index confirms the principles of transparency, commitment, and corporate responsibility contemplated in the company’s Corporate Responsibility 2007-09 Master Plan.
Extending Corporate Responsibility to the supply chain

We manage ethical, social, and environmental risks in the supply chain by maintaining relations based on mutual respect and equal opportunities with all our suppliers and partners.

Our relations with suppliers are governed by regulations that set out the bases and minimum criteria to follow in all supplier management processes, which were approved at the end of 2006 and shared by all the company’s business units in all countries, and on technical instructions developed at each of our business units.

In the same manner, there are regulations that set out criteria to be followed for managing procurement and contractual purchases of goods and services, which regulations are supplemented with the company’s General Purchase and Contracting Conditions. These conditions promote integrity in our relations with suppliers and subcontractors, who, in turn, are required to comply with the core conventions of the International Labour Organization and prevailing safety and environmental law.

Supplier management system

A new system for the standardised management of supplier information, known as SISPRO, was implemented in early 2008. This system is unique in the world and incorporates information generated in the rating and endorsement processes, performance assessment, and development and planning relating to supply management.

Before entering into any commercial relations with the company, suppliers and contractors are subject to a rating process in accordance with the criticality of the good or service to be provided.

The respective supplier’s technical, corporate, financial, quality management, safety, and environmental documentation are analysed as part of this process. There are two methods for gathering this information:

- The Repsol YPF calification questionnaire filled out by the supplier and adapted to

<table>
<thead>
<tr>
<th>Calification processes in 2008</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier of goods</td>
<td>359</td>
</tr>
<tr>
<td>Service contractor</td>
<td>811</td>
</tr>
<tr>
<td>Total</td>
<td>1,170</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>“Non-calificated status” in 2008</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier of goods</td>
<td>37</td>
</tr>
<tr>
<td>Service contractor</td>
<td>165</td>
</tr>
<tr>
<td>Total</td>
<td>202</td>
</tr>
</tbody>
</table>
comply with the requisites of each country; one for materials and two for services.

- Based on the information and documentation furnished by the supplier for their inclusion in the supplier registry that is managed by an external company, in this case, by the Achilles Group in Spain, Argentina and Portugal.

In 2008, we started the process for implementing the new supplier management standards in Spain and Argentina and, during 2008, implemented it in other countries such as Ecuador, the U.S., Peru, Portugal and Venezuela.

The “criticality” of the goods or service to be supplied is the criterion used to determine the qualification process requirement. We have defined three levels of criticality: 0, 1, and 2, from the lowest to the highest level of requirement.

In addition to the classification, suppliers or contractors who supply level 2 goods or services are also subject to an audit at their premises. In Argentina, suppliers / contractors who provide level 1 goods / services are usually audited.

We audited suppliers and contractors in various countries during 2008. The breakdown of these audits is as follows:

- Spain: 77 audits of service contractors.
- Argentina: 539 audits, of which: 102 suppliers of goods; 330 service contractors; and 107 goods and service companies.
- Portugal: 25 audits of service contractors.
- Colombia: two audits of service contractors.
- Trinidad and Tobago: two audits of service contractors.
- Venezuela: one audit of a service contractor.
- Peru: one audit of a service contractor.

The qualification is valid for no more than three years. Suppliers could lose their rating temporarily or permanently due to safety or environmental issues, defective performance of the contract or order, or for any other discrepancy with the conditions defined by the company.

Suppliers who provide critical goods or services are also subject to periodic assessments of their performance with regard to four aspects: management, quality, safety, and the environment.

Achilles is a service for the joint management of supplier and contractor information and documentation, which was launched by companies in the water, gas, power, oil, shipping, and other similar sectors. Complete and updated information is supported by data furnished by each supplier on an annual basis in a computerised form. These databases, permanent and objective, provide purchasing companies with a tool for efficiently rating their suppliers and contractors.

Suppliers are asked to supply the following type of information: general; corporate and commercial; human resources, work sites; financial; quality management systems; environment and prevention of occupational hazards; labour rights; and products and services (description, product range, commercial references). In addition, they must provide documentation on: their fulfilment of tax and social security obligations; third-party liability insurance; quality certifications; environment and prevention; balance sheet and income statement, and financial risk reports.

The questionnaires include questions on ethics, including United Nations Global Compact adherence and the development of Human Rights Policies.

In 2008, we started to review the desired scope for implementing Corporate Responsibility in the Purchases and
Contracting area. This review will include the rating questionnaire for the information to be reported by suppliers, and the incorporation of new filters in the company’s supplier management system (SISPRO) to obtain quantitative data on Corporate Responsibility related criteria.

Through the Purchases and Contracting area, we participate in working groups at the following associations:

- In Ateneo de Compras of the Asociación Española de Profesionales de Compras, Contratación y Aprovisionamientos (Spanish Association of Purchasing, Contracting, and Procurement Professionals) (AERCE):
  - Corporate Social Responsibility in Purchases.
  - Supplier Risk Management.

- In the Spanish Global Compact Association (ASEPAM):
  - Standardisation process in the supply chain. The results of this working group were published at the beginning of 2009 in the “Guide for Responsible Management of the Supply Chain”.

At Repsol YPF, we have the following supplier communication and collaboration channels:

- In the Suppliers section at repsol.com and ypf.com.
- External registration systems managed by the Achilles Group: RePro (in Spain and Portugal) and Siclar (in Argentina).

Approximately 8,637 million euro was spent in 2008 in purchases and contracting, of which, nearly 83% involved local suppliers.

In 2008, we completed the streamlining process for the purchase and contracting Function standards, simplifying the standard documents to ensure uniform and optimal management of purchase and contracting processes.

We approved a new Purchases and Contracting Policy to define the principles and values governing the actions of the Purchases and Contracting Function, and its commitment at Repsol YPF. Lastly, we worked to ensure the alignment of the Purchases information systems with the processes defined in the Purchase Processes Manual.

### Purchases and contracting by countries in 2008, million euro

<table>
<thead>
<tr>
<th>Country</th>
<th>Total 2008</th>
<th>Local 2008</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>335</td>
<td>194</td>
<td>57.98</td>
</tr>
<tr>
<td>Argentina</td>
<td>2,676</td>
<td>2,426</td>
<td>90.65</td>
</tr>
<tr>
<td>Bolivia</td>
<td>60</td>
<td>54</td>
<td>89.17</td>
</tr>
<tr>
<td>Brazil</td>
<td>141</td>
<td>127</td>
<td>90.10</td>
</tr>
<tr>
<td>Colombia</td>
<td>22</td>
<td>21</td>
<td>97.15</td>
</tr>
<tr>
<td>Cuba</td>
<td>3</td>
<td>0</td>
<td>10.42</td>
</tr>
<tr>
<td>Ecuador</td>
<td>85</td>
<td>78</td>
<td>91.30</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>133</td>
<td>98</td>
<td>73.29</td>
</tr>
<tr>
<td>Spain</td>
<td>4,277</td>
<td>3,577</td>
<td>83.65</td>
</tr>
<tr>
<td>France</td>
<td>3</td>
<td>3</td>
<td>99.95</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Iran</td>
<td>7</td>
<td>0</td>
<td>4.53</td>
</tr>
<tr>
<td>Libya</td>
<td>127</td>
<td>118</td>
<td>92.73</td>
</tr>
<tr>
<td>Morocco</td>
<td>32</td>
<td>1</td>
<td>2.63</td>
</tr>
<tr>
<td>Mexico</td>
<td>7</td>
<td>7</td>
<td>97.19</td>
</tr>
<tr>
<td>Peru</td>
<td>142</td>
<td>136</td>
<td>96.04</td>
</tr>
<tr>
<td>Portugal</td>
<td>467</td>
<td>213</td>
<td>45.63</td>
</tr>
<tr>
<td>Trinidad &amp; Tobago</td>
<td>71</td>
<td>66</td>
<td>92.85</td>
</tr>
<tr>
<td>Venezuela</td>
<td>48</td>
<td>46</td>
<td>95.13</td>
</tr>
<tr>
<td>Total</td>
<td>8,637</td>
<td>7,165</td>
<td>82.96</td>
</tr>
</tbody>
</table>
Customers

In our value chain, we have the responsibility of exerting our influence on our haulage contractors, distributors, wholesalers, and, clearly, our customers.

We are committed to meeting customers’ expectations, anticipating their needs, with excellence in our services and innovative products with greater added value.

Most of all, we want to have innovative products that are environmentally-friendly during their entire life cycle. To this end, at Repsol YPF we are implementing two types of initiatives in this respect.

Firstly, we conduct initiatives known as product stewardship, measures aimed at reducing the impact of our products throughout their entire life cycle, including their post-sale use. One of the projects already developed is reverse logistics for lubricants used in automobile and vessel engines to prevent environmental impact caused by the inappropriate elimination after its use.

Secondly, we are promoting initiatives to encourage our customers to use the energy that we supply in a more efficient fashion. For example, in 2008 we distributed more than 3 million leaflets at our service stations throughout Spain, Italy, and Portugal containing suggestions for achieving significant fuel savings by adopting responsible driving habits.

Other measures along these lines include encouraging gas savings through awareness-building activities at repsol.com, by including suggestions in periodical billings, and in the containers of some of the products. We also offer recommendations in the local language of non-Spanish speaking immigrant communities, quite numerous in several cities in Spain, such as the Moroccan and Chinese communities.

Our customers can also access our Customer Service Department (CSD) and our Customer Relations Department (CRD) by clicking at the section for each product or service at repsol.com. The service includes information on the product or service, frequently asked questions, and the possibility of submitting queries or suggestions. The reply could be received by e-mail, post, or by telephone, at our customers’ choice.

A network of more than 6,161 points of sale, mainly in the Iberian Peninsula and Latin America, sell our fuel and lubricants for the automotive sector. In Spain and in some Latin American countries, the company is the market leader in service station fuel sales and in butane gas and propane (LPG) sales for residential and industrial use.

We wager on a new service station model that meets new requirements and bolsters our leadership in innovation.

[Our customers can benefit from loyalty-building programmes by using payment cards offering discounts on purchases and other promotional rewards.]

As part of our commitment to transparency, ethics, and corporate responsibility, we are members of the Advertising Self-Regulation Association, a non-profit organization set up in 1996 and part of the European Advertising Standards Alliance (EASA) and the European Extra-judicial Network. [PR6]

We believe that this initiative should be available to our stakeholders, particularly our customers, to enable them to forward any complaints on the company’s advertising to an external entity.

The Confidence Online seal is available at repsol.com to facilitate complaints by our customers.

[In 2008, this association did not receive any report on bad advertising practices by the company. PR6]

Towards total accessibility

Everyday actions, such as filling up the tank or being able to reach the handle of the refrigerators at stores, can be almost impossible for our customers with different capabilities.

This is why we have started to open the first service stations with easy access for mobility-impaired customers, the first in Spain to have been awarded the AENOR accessibility certification.

The first of these stations is located at the Repsol YPF Technology Centre in Madrid. It is also one of the first ones in Spain to employ people with different capabilities.

This initiative, which is in keeping with our commitment to integration, means that each day, a greater number of people with different capabilities join our workforce.

We also have a certified service station in Zaragoza where we are developing the Hortaleza Project that contemplates the construction of a service station with installed photovoltaic panels, a totally accessible store, and the removal of architectural barriers. The upgrades include pump hoses placed at a lower height, adapted handles, wider aisles, and shelves with rounded edges to make it easier to get around.
Companies are economic agents and, as such, we are able to create wealth for the communities where we operate. We also have the opportunity of having a very positive impact in host communities, especially in less advantaged countries.

Social agents demand us to contribute our ideas, our management capabilities, our ability to mobilise resources, to maximise the positive impacts in local communities, for example, through training policies, employment, and by using local supplies. Our attention must focus preferably on the most disadvantaged communities and vulnerable groups.

We assume that we play a leading role in creating wealth and, at the same time, we feel responsible for contributing our efforts to benefit the community by promoting education, health, sports, culture, and, most important, by fighting against poverty and exclusion.
Creating shared value

Our Policy of Relations with Indigenous Communities bore fruit when we signed an agreement with the Cheni community living in Lot 57 at the Tambo River Basin, in the area of influence of the Mapi and Mashira projects in Peru. Pursuant to this agreement, we will be collaborating in a comprehensive development plan designed by the community. The plan contemplates extending cocoa crops and the cattle and poultry raising activity, home improvements, the creation of a healthcare fund, and aid for higher education. This agreement will enable us to benefit mutually during a two-year period.

The company’s activities include field geology and seismic operations, and well drilling. Thanks to our contribution, 106 families in the community will benefit directly.

Supporting agro-sustainable cocoa crops in Ecuador

The company, jointly with six Kichwas communities, launched a programme for planting and marketing cocoa. This agro-sustainable project is being carried out in Block 16 in the Yasuní National Park. The agroforestry approach, which combines trees and shrubs, was chosen for this project, an environmentally-friendly and economically viable farming activity.

In the Kichwas communities, farmers attend two training courses per month in field schools, with workshops and practical classes covering all technical cocoa production aspects, including planting, the use of natural insecticides, grafting, and pruning.

The farms have received the Rainforest Alliance Certified Seal of Approval, which ensures that farming and management methods comply with environmental and social standards, including acceptable salaries, proper equipment, and access to education and medical assistance.

The project’s first crop, with the brand name Ekocao, was acquired in March by Ecuadoriana de Chocolate, the leading company in the sector.
## Our objectives

<table>
<thead>
<tr>
<th>Planned initiatives</th>
<th>2008 progress</th>
<th>2009 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Preparation of drafts for the company's in-house standards.</td>
<td>Approve updating of standards for the Upstream division: hazard identification (HAZID) and guide for carrying out environmental, social, and health impact assessment. (ESHIA).</td>
</tr>
<tr>
<td>Improve communications with the community.</td>
<td>Create an Advisory Public Panel at the Puertollano Industrial Complex.</td>
<td>Assess the initiative and study in order to implement it at other company sites.</td>
</tr>
<tr>
<td>Develop collaborative working platform and reporting.</td>
<td>Create a community of practice for corporate responsibility issues.</td>
<td>Improve current tools to be able to share practices within and outside the company.</td>
</tr>
<tr>
<td></td>
<td>Adapt the body of practices in Safety and the Environment on issues pertaining to community relations to share best practices and the actions carried out by each unit.</td>
<td>Align the manuals of the London Benchmarking Group (LBC) to the company.</td>
</tr>
</tbody>
</table>
More dialogue with society and local communities

The term “industrialised countries” brings to mind welfare, prosperity, social cohesion, and greater citizens’ rights. No one doubts that industrialisation is essential for creating wealth in any society. Nevertheless, no industrial activity has only positive impacts.

Civil society in the most advanced countries already have the necessary mechanisms for playing a more active role in the process of achieving a balance between the benefits provided by industry and its possible negative consequences.

At Repsol, we are convinced that civil society must play that role and that we must also be able to deploy multiple forms of dialogue that lead to the establishment of mutually beneficial relations between our organization and society, especially in relation to the communities that live near our operating centres with which we share the space and, therefore, also share the same objectives of economic growth, social development, and the preservation of the environment.

We want to be respectful neighbours and recognised for our responsible management aimed at multiplying the positive effects of industrialization and at eliminating or compensating the potential negative impacts in our area of influence.

In 2008, we approved a new Policy of Community Relations of mandatory compliance for all business units. This policy formally outlines our values for being good neighbours: reciprocity, mutual benefit, integrity, responsibility, good faith, and transparent information.

We are implementing new initiatives such as setting up formal channels for dialogue with civil society representatives at our industrial Puertollano complex. These representatives will enable us to increase our understanding of the concerns and expectations of the communities, and, at the same time, will increase the involvement of these communities in managing their local industry.

Being a citizen company also implies contributing effectively to the common good. In 2008, we participated in more than 1,300 social projects, 75% of which were in Latin American countries. Mainly focused on education and training, community development, protection and care of the environment, social integration, health, and sponsorship of cultural activities, these projects have benefitted thousands of individuals, many of whom live in very precarious conditions.

We are very willing to intensify dialogue, and have the management capability and the desire to increase our interrelation with civil society, social agents, and local communities so that we can fulfil our desire of being a company that enjoys the esteem of society.
Ivi Marae, Bolivia’s land without evil

The American Chaco (plains) or Ivi Marae, “Land without evil”, as it was formerly called, was inhabited by an untamed race, the Guaraní. Tales abound of the great exploits of their Mburuvichas, leaders or captains, to defend their territories, their liberty, and their autonomy, known as lyarnbae in the language of the Guaranís.

For many centuries, they fought countless wars against those who wanted to invade their territory: a great war with the indigenous people of the altiplano (high plains), led by one of the most famous leaders, the Great Mburuvicha Guasu Guiracota. Although the exact date of this great war is not recorded, it is believed to have taken place around the year 1200.

The first and only war declared by the Spanish Crown: the war declared by King Charles V which was obeyed by Viceroy Toledo during the Spanish conquest.

The War of Treason and Silence, called as such because after the liberation from the Spanish army, it was fought against the so-called “liberators” who, when the republics were created, divided the large territory of Land without Evil among Argentina, Brazil, Bolivia, Paraguay, and Uruguay.

We cannot overlook what was perhaps the greatest genocide ever in Latin America, the Kuruyuki massacre in 1892 when the apparently liberal government ordered the extermination of the “barbarian” Guaraní in Bolivian territory and thousands of children, women, and elderly were shot down by the army.

Their leaders, such as the great Mburuvicha Guasu Ignacio Aireyu Tengua, also known as the Great Guiracota II, and Apiaguaki Tumpa, a brave kereimba (warrior) who, jointly with other leaders were assassinated, impaled, and then exhibited publicly in what is known today as the Plaza de Monteagudo.

Many more events could be recounted, but this piece of paper is not long enough.

The Guaraní people in Bolivia are divided into 26 captaincies, whose Mburuvichas represent 372 communities with a population of 210,000 Guaraníes who live in the rural regions of Tarija, Chuquisaca and Santa Cruz.

Three Councils of Captains exist today, one for each department, as well as a directorate in charge of carrying out the orders of the Great Assembly of the Guaraní People, known in Bolivia by the acronym APG.

Major companies, such as Repsol, and other European, North American, South American, and Asian, are currently operating in Guaraní territory.

We think differently today. Even though we continue to stress the conservation of our flora and fauna, some of the Guaraní captaincies are interested in finding economic resources to develop their own investment plans and to create their own gas companies.

This is because we do not want our territory to end up like Cerro Rico de Potosí, where all mineral resources were taken and nothing was left and, to this date, the people who live there continue to suffer the consequences of extreme poverty.

I believe my people are ready for investments and, perhaps, even become Repsol’s partner in the future and have the opportunity of improving their living conditions and of bringing development to our people. The Mburuvichas are men of flesh and blood; they are not ghosts from the pasts. The Guaraní people will always exist.
We work in many local communities, in countries at different levels of development. We generate many expectations, from meeting the most basic needs, to contributing to the safeguarding the local cultural heritage. We count on a great team who are responsible for knowing the expectations of the local communities and for prioritising our responses, applying a local approach and sensitivity in combination with the company’s general criteria. This implies hundreds of collaborative work with administrations, local associations, foundations, NGOs, and the communities, or through the Repsol’s foundations. The global scope of our social activities is detailed in the Commitment to the Community Programme, which is part of the Corporate Responsibility 2007-2008 Master Plan. We have also developed behaviour guidelines and management models with a global and local scope to ensure that we have stable and cooperative relationships with the communities where we operate.

**Our long-term vision**

The Commitment to the Community Programme, with a more local strategic approach, marks a new stage in our company’s relations with the communities. The programme is a tool that helps to make decisions on the social commitment actions to carry out and on the method for managing available resources, provided this is always in line with core business objectives. The programme outlines three levels of initiatives based on the proximity of our operations, designed for:

- A. Mitigating and offsetting the impacts in the direct area of influence of our facilities.
- B. Promoting sustainable development in the direct area of influence of our facilities.
- C. Promoting social programmes of general interest.

**The action model of the Commitment to the Community Programme 2007–2009**

1. **Communication**
   - Country-specific Communications plans and general commitment to the community.
   - Communication plans related to the contribution to development goals such as the Millennium Development Goals.
   - Communication plans for specific activities and points-of-contact.

2. **Act**
   - Annual corporate and country-specific commitment to the community plan.

3. **Understand**
   - Draft the relations with the community and indigenous communities policies.
   - Define action protocols and partnership protocols.
   - System for knowing and foreseeing operational risks in this area.

4. **Organise**
   - Design specific competences and capabilities.
   - 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 programmes.

5. **Objectives**
   - Boost the company’s recognition in society.
   - Focus on relations with the community.
   - Strengthen commitment and manage social risks.

In Africa, on the occasion of the Rally Dakar, Repsol collaborated on delivering medicines in nearly isolated areas.
Tools for knowing local identity and expectations

We have different tools to achieve this objective. The most common tools are: the Environmental, Social and Health Impact Assessment (ESHIA); consultations with stakeholders; and systems to identify and analyse risks.

These actions are included in the Commitment to the Community Programme 2007-2009. In that sense, we are developing a tool to define social risk maps in the regions where we operate. This tool will be incorporated in the company’s global risk management system.

The first step for our integration in a local community is to know, as far as possible, its identity and its social, economic, and cultural particularities.

We are getting closer to understanding the local situation

We are defining a new standard for carrying out Environmental, Social and Health Impact Assessment (ESHIA) for our Upstream activity to replace the current one and to adapt it to the new realities and expectations of our stakeholders.

The objective of this new standard is to improve our capacity for identifying the environmental, social, and health impacts resulting from our activities. The standard contemplates new requirements such as new commitments, issues related to indigenous communities, and direct communication with stakeholders.

We want our stakeholders engagement to be as direct and open as possible. The goal is to have advanced and sufficiently in depth knowledge of local conditions at all times so that we can anticipate conflicts and can be worthy of the community’s trust.

The ESHIA standard contemplates issues such as:

- The most common social impacts in exploration and production activities as defined in the “Guide to Social Impact Assessments in the Oil and Gas Industry” by the International Petroleum Industry Environmental Conservation Association (IPIECA).
- The impacts on the indigenous communities in accordance with our Policy of Relations with Indigenous Communities which supports the rights contemplated in international law such as those included in Convention 169 of the International Labour Organization and the United Nations Declaration on Rights of Indigenous Peoples.
- Health impacts, based on the Guide of the International Association of Oil and Gas Producers (OGP) and the IPIECA Guide to Health Impact Assessments in the Oil and Gas Industry, considered the best practice in the sector.

Some of the beneficiaries of the program "Casa para Todos" (house for everybody), in Bolivia.
New community relations policies

The complexity of our company and the diversity of our activities in each community make it necessary to define specific local actions for our relations with communities.

We want to contribute to the welfare and progress of the communities with which we interrelate and share the same space. We are aware of the importance of properly managing the impacts of our activities, mitigating the negative and stimulating the positive.

To address these concerns, we are implementing our Community Relations and Indigenous Community Relations policies passed in December 2008.

The objective of both of these policies is to define the common guidelines in this respect and incorporate these issues formally in the company’s management models and decision-making processes.

An in-house working group in the Corporate Reputation Committee participated in drafting these policies and we have also been involved in an intensive process of consultations with NGOs and external experts.

A ground-breaking Indigenous Community Policy of Relations with the sector

Thanks to the various contributions from all in-house and external professionals and from social agents, our Policy of Relations with Indigenous Communities with is one of the achievements of which we feel most proud.

We are aware of the difficulties and challenges implied by our commitments. We ask administrations and social agents to collaborate fully with us to ensure that the survival of the culture of these particularly vulnerable people is compatible with a greater level of wellbeing, particularly in relation to those communities with the most basic and pressing needs, without
We have based our policy in well-known international standards.

- Incorporate in our operations the particularities of indigenous communities as observed in the Environmental and Social Impact Assessments.
- Prevent risks and mitigate adverse impacts on the integrity of people, their health, and their natural and cultural heritage. Whenever this is not possible, we will minimize or compensate for these impacts.
- Encourage respect and collaboration to ensure respect for Human Rights, human dignity, the aspirations, culture, and means of subsistence of indigenous communities.

Implementation of the Policy of Relations with Indigenous Community

To ensure the effectiveness of the implementation of the Policy of Relations with Indigenous Community in any part of the world, we are currently drafting a specific standard known as the Norm in Actions in Relations with Indigenous Communities.

This standard defines the actions required in each project to identify the risks associated with the existence of indigenous communities:

- Social and environmental diagnosis and characterization of the indigenous communities affected by the company's activities or projects.
- Analysis of compliance with legal obligations, particularly with respect to prior, free, and informed consultation with indigenous communities.
- Identification and characterization of stakeholders as well as potential social, cultural, and environmental impacts.

In addition, we are committed to cooperating with competent authorities so that they are able to provide full and transparent information on the projects to all the communities in the area of influence.

In consultation processes, our aim is to identify development opportunities that can contribute to improving, consistently and sustainably, the quality of life and the means of subsistence of these people.

To achieve this, in cases where a long-term relationship is foreseen, we will prepare, jointly with local populations, relation plans that include development opportunities and measures to prevent impacts as identified in dialogue initiatives.

For activities conducted in areas where there are isolated communities or communities that have not been contacted, we will develop contingency plans to meet objectives, including:

- Avoiding, as far as possible, all contacts with these communities.
- Defining the steps to take in the event of possible contact scenarios.
- Outlining the responsibilities for managing and reporting any encounter.
- Setting up a Crisis Committee in the Business Unit to report any meetings with regulatory bodies.
- Providing mandatory training on this issue to all field personnel.
- Reporting any sighting of these communities and taking the necessary steps to confirm the veracity of such reports.
- Implementing the necessary measures, from a health perspective, such as vaccinations and medical check-ups to prevent the spread of diseases.

We are conscious of the risks and opportunities of our activities in the areas where indigenous communities live. Our Policy of Relations with Indigenous Communities outlines our commitment to:

- Identifying the indigenous communities that could be directly affected by new projects, major enlargement or the dismantling of the company's installations.
- Laying the foundations for a solid and mutually beneficial relationship with these communities based on trust, good faith and transparency.
- Ensure compliance with prevailing law and international agreements on the protection of indigenous communities.
- Set up channels for dialogue and agreements with States and with these communities.
Coordinated actions to ensure the lasting success of our social activities

One of the priorities established in the Commitment to the Community Programme 2007–2009, was to provide the company with the tools for coordinated and uniform action in connection with community relations throughout the world.

We have started to work on defining common action protocols for Upstream activities in line with the aforementioned new policies.

The objective is for each business unit to prepare a Community Relations Plan in order to secure the support of stakeholders in the Upstream activity.

We believe that the information and consultation process conducted where the company operates is the most effective way of making progress in this respect.

Approach for involvement

Our action models will include a map of social impacts, positive and negative, contemplating cultural, demographic, socioeconomic, health, infrastructure, and resource factors.

One of the priorities has been to identify the action opportunities that will enable us to concentrate our efforts and increase our effectiveness. These include:

- Local employment: training programmes or grants and health benefits or insurance.
- Local contracting: purchasing products and services from local companies.
- Infrastructures: developing roads, water facilities, and electricity.
- Employees: have our people participate in the identified local development projects.

Risk management approach, one of the drivers of relations with the community

We are accustomed to managing projects by focusing on related risks. This approach could be useful when the expectations of the communities are complex or even contradictory. In these cases, it makes sense to analyse expectations and respond to such expectations by seeking the best possible balance in terms of risks for society, risks that also affect the company.

We promote a globally applied risk identification methodology known as the Hazard Identification Study (HAZID), which collects physical, social, and environmental data on each community, identifies possible risks, and makes it possible to define the measures to mitigate such risks. The risks contemplated in HAZID relate to:

- Health: competition for resources, pandemics, epidemics, insufficient healthcare capabilities, the increase in mental and stress-related disorders, malnutrition or diet impairment.
- Safety: traffic accidents, emergencies, violence, and crime.
- Education: education shortages.
- Socials: impaired welfare, changes in social structures, changes in the way of life, changes in the family structure and in the community, pressure on infrastructures and services.
- Economic: distortion of the local and national economy, corruption, political instability.

We are adapting this standard to incorporate the guidelines contemplated in the Policy of Community Relations.
Communication with local communities

Our Community Relations Guide outlines the criteria, steps and methodologies for designing the communication channels required for the execution of any project and establishing a constructive and mutually rewarding relationship.

Our actions with communities are based on two different approaches, depending on our activities. These include the actions carried out in Upstream, developed in various operational phases and actions conducted in Downstream, where operations are developed at the same place and over a long time span.

The figure of our social enablers is worth mentioning. They exemplify our commitment to transparent and open communication with local communities. They speak the native language of the local communities and are in charge of monitoring the various ongoing social projects, in line with our community relation policies.

The “Repsol YPF listens to your” e-mail post box is another formal community relations mechanism through which we can receive any type of complaint, query, or remark that is sent to us.

In Spain, projects are subject to law and to a public information process before securing administrative authorization. It makes it possible to respond and to consider all observations and recommendations from those who could be affected by these projects.

In Brazil, we have also provided a toll-free telephone number to communities in Puertollano through which they can request information and file complaints.

In Puertollano, we have set up an Advisory Public Panel comprising three Repsol YPF representatives and fifteen outside members to open a permanent communication channel between the community in Puertollano and the industrial complex. The objective of this civic forum is to create a climate of trust to improve the population’s perception of the petrochemical business. The creation of this citizens’ participation forum was included, at Repsol YPF’s request, as one of the requirements for the Integrated Environmental Authorization.

The fifteen community representatives, six women and nine men, are volunteers who do not receive any type of remuneration. They belong to different segments of society and, therefore, can provide different points of view on the various issues of concern.

The goal of this participation forum is to allow us to learn about the concerns of the community living closest to our activity, to set up channels of communication so that we can learn about these concerns, provide information and training on petrochemical industry activities, and be actively involved in the development of society, especially in connection to industry-related issues.

In short, this civic forum will enable us to open a new effective communication channel with our neighbours, deserve their trust, and improve their perception of the petrochemical business.
A social action framework aligned to each context

We develop corporate plans and country by country based plans to prioritize the activities and resources to be assigned where they are most needed.

Within the framework of the Commitment to the Community Programme of the Corporate Responsibility Master Plan, we develop corporate and action plans for each country to prioritize activities and the allocation of resources.

The objective is to have a common action framework to enable us to align activities and prioritize the execution thereof in accordance with the company’s core objectives.

Prioritization depends on the defined objectives, identified risks in the different business areas, ongoing local initiatives, and available resources.

We strive to measure the positive impacts of social investments

We are actively involved in preparing a system for measuring social investment and its impact on society based on the methodology developed by the London Benchmarking Group (LBG). This methodology helps us assess the impact, facilitating and improving the objective allocation of economic resources.

We classify the different types of contributions according to the LBG methodology:

- Specific contributions: to address the needs and requests from charities and social interest organizations.
- Community investment: resulting from our strategic initiatives that address our interests as well as those of the community.
- Initiatives aligned with the company’s business.
- Mandatory contributions: those made due to legal, statutory, or contractual requirements.

In June 2008, we collaborated with the IPIECA Social Responsibility Working Group in organizing the Social Investment Workshop where representatives from the oil and gas industry, multilateral agencies, such as financial development agencies, academic institutions, and other civil society organizations, discussed how to identify the main challenges, encourage dialogue for possible collaboration projects, and posed questions about the following steps that would be taken. Detailed information on the event is available at www.ipieca.org.
Our lines of action in social commitment

We earmarked 30 million euros to social programs included in six lines of action.

We aim to respond to the expectations identified in the community based on criteria such as the fight against poverty and exclusion, the fight against diseases, favouring the most vulnerable groups, and encouraging education, culture, and sports.

Education and training
We consider training, education, and the generation of knowledge as the foundations for sustainable development. Accordingly, we earmark a large part of social investment for training programmes, mainly for primary and secondary school students, as well as for college and post-graduate students.

Community development
One of our key social commitment objectives is to generate development opportunities in the communities where we operate and, accordingly, promote self-management projects that benefit the largest possible number of people.

Healthcare
We participate in projects to improve healthcare conditions and the quality of life in the communities where we operate. Our health standard contemplates providing healthcare support to isolated communities,
facilitating access to basic medical services to those who require it.

Social integration
We collaborate in the execution of projects for the integration of vulnerable groups and those at risk of social exclusion, and are involved in various programmes to improve the well-being of individuals and social groups.

Environment
We develop projects to raise awareness on the environment and the protection of biodiversity and strive to protect the environment in communities where we conduct our operations.

Art and culture
We support projects to promote culture and work with several institutions for the dissemination of culture and local artistic heritage.

In 2008, Repsol YPF and its foundations spent 30 million euro in community investment projects, of which amount, 67% was earmarked for Latin America, 30% for Spain, and 3% for other regions where the company operates.

The types of projects are as follows: education and training 35%; community development, 18%; environmental protection and conservation, 16%; social integration programmes, 16%; healthcare programmes, 7%; and sponsorship of cultural programmes, 8%.

In 2008, we were involved in more than 1,300 projects, including 480 community development projects in the communities where we operate. As part of the community development programmes, we have carried out programmes to support community organizations, infrastructure construction programmes, micro-loan programmes, and programmes to support the creation of companies.

### Contribution to Social and Cultural Programmes

<table>
<thead>
<tr>
<th>Million euro</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
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<td>0</td>
<td></td>
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</tr>
</tbody>
</table>

- Education and training
- Community Development
- Social integration
- Healthcare
- Environment
- Art and culture
- Other

### Source of Social Investment

- 19% Repsol Foundation
- 43% Upstream
- 1% Repsol YPF Ecuador Foundation
- 13% Corporation
- 11% Downstream

### Number of Projects by Programme and Region

<table>
<thead>
<tr>
<th>Thousand euro</th>
<th>Spain</th>
<th>Argentina</th>
<th>Rest of Lat Am</th>
<th>Europe, Africa and Asia</th>
<th>North America</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and training</td>
<td>125</td>
<td>69</td>
<td>108</td>
<td>8</td>
<td>14</td>
<td>334</td>
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<tr>
<td>Community development</td>
<td>91</td>
<td>228</td>
<td>162</td>
<td>3</td>
<td>3</td>
<td>487</td>
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<tr>
<td>Social integration</td>
<td>25</td>
<td>118</td>
<td>154</td>
<td>4</td>
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<tr>
<td>Healthcare</td>
<td>9</td>
<td>26</td>
<td>48</td>
<td>4</td>
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<td>87</td>
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<tr>
<td>Environment</td>
<td>5</td>
<td>19</td>
<td>17</td>
<td>1</td>
<td></td>
<td>42</td>
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<tr>
<td>Art and culture</td>
<td>33</td>
<td>24</td>
<td>31</td>
<td>1</td>
<td></td>
<td>89</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>288</strong></td>
<td><strong>484</strong></td>
<td><strong>500</strong></td>
<td><strong>21</strong></td>
<td><strong>17</strong></td>
<td></td>
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</table>

### Investment in Social and Cultural Programmes

<table>
<thead>
<tr>
<th>Thousand euro</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>10,856</td>
<td>12,806</td>
<td>13,308</td>
<td>8,982</td>
</tr>
<tr>
<td>Rest of Europe, Africa and Asia</td>
<td>295</td>
<td>801</td>
<td>1,270</td>
<td>845</td>
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<tr>
<td>North America</td>
<td>719</td>
<td>478</td>
<td>54</td>
<td>62</td>
</tr>
<tr>
<td>Rest of Latin America</td>
<td>3,903</td>
<td>5,116</td>
<td>5,310</td>
<td>5,343</td>
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<tr>
<td>Argentina (1)</td>
<td>6,898</td>
<td>6,254</td>
<td>12,360</td>
<td>14,662</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>22,671</strong></td>
<td><strong>25,455</strong></td>
<td><strong>32,302</strong></td>
<td><strong>29,894</strong></td>
</tr>
<tr>
<td>% of pre-tax income</td>
<td>0.41%</td>
<td>0.47%</td>
<td>0.58%</td>
<td>0.65%</td>
</tr>
</tbody>
</table>

(1) Includes the INET programme which in 2008 amounted to nearly 950,000 euro.
For further information: [http://www.inet.edu.ar](http://www.inet.edu.ar), tax credit section.
Home improvement project in Puerto Margarita, Bolivia

In the context of Bolivia’s Ministry of Public Works and Housing project for Healthy Housing, Repsol YPF was involved in a home-improvement project in the five communities of Puerto Margarita together with the Vice-Minister of Housing and Urban Development of the town of Entre Ríos, the Pro Habitat Foundation, and the Catholic Relief Services participated and also, with the communities.

The objective of the project is to contribute to improving the living conditions of the communities since the new or refurbished homes offer better protection against adverse climate conditions and also prevent the proliferation of Triatoma infestans, an insect locally known as vinchuca, the Chagas disease. At the same time, the project placed special emphasis on teaching families healthy habits and the methods for preventing this disease.

Providing training to the people in the community to enable them to become masons or skilled workers is one of the objectives contemplated in the project in order create work opportunities for families and bolster the sustainability of this or other projects that could be launched in the future.

We contribute to the development of the Guaraní communities in Bolivia

In Bolivia, we are developing the Endulzar la vida (Sweeten Life) project to promote the production of honey and derivatives in three of the Guaraní communities who live close to the Margarita Field. Of the 105 families living in Zapaterambia, Yuati and Kumandaroti, 60% have found an occupation that allows them to make a living and improve the quality of their diet.

In 2003, we hired an apiculture expert who, during a 2-year period, trained the native population, each completing 380 hours of training and becoming community apiculture technicians. In the first stage of the project, we gave them the basic elements necessary for carrying out this activity, such as Italian bees, beehives, stamped wax, and containers.

Thanks to the interest of the Guaraní producers and our support, production increased from 8 kilograms per hive in the first year to the current 30 kilograms, also diversifying production by introducing new products, such as pollen, propoleum, royal jelly, and wax.

Thanks to this training, Guaraní families were able to include honey in their diet and to use it to treat certain ailments, such as respiratory problems.

The progress achieved was possible thanks to the efforts of the producers, to the periodic visits made by an expert to monitor the activity, and to our constant support. In 2008, we built three extraction halls, duly equipped to ensure the proper handling of honey, and featuring centrifuge equipment, collector trays, wax stamps, and other items.

In 2008, a group of six Guaraní beekeepers attended a carpentry course to learn how to build their own beehives.

All these benefits were evident in the four editions of the Beekeeping Fair, which took place this year in the Yuati community, with more than 700 kilograms of honey and derivatives. We purchased 150 kilograms to support the centres for minors in the Guaraní communities, contributing this honey as a nutritional supplement for the children’s breakfast.

Once again, the fair became a meeting point for the community and our representatives. Children performed musical sketches and participated in a drawing contest. Adults, meanwhile, played soccer and enjoyed a meal together.

The Guaraní beekeepers want to continue along these lines, improving their competitiveness in the production of natural honey, increasing their production capacity and output, all of which will redound in higher revenues for their families. For the following phase, we plan to provide basic carpentry tools so that the Guaraní can make their own beehives.

The Sweeten Life project also provides indirect benefits, such as helping the ecosystem through cross-pollination of native and exotic plants and, in this respect, it can be considered an ecological project.
Our people, our competitive advantage

People are our company’s main asset. We are committed to the search for talent and to its development in a context of trust and equal opportunities.

We believe that excellence is the foundation for personnel management. Only by adopting this approach can we generate the opportunities to fulfil the career aspirations of our employees.

Our business plans are driven by our commitment to growth targets.

The uniqueness of our management model sets us apart from our peers and provides strategic advantages for competing in international markets.
We wager on talent

As part of the Corporate University project, we launched the Higher Learning Centre (CSF) in the second half of 2008. By combining all resources in the same organizational unit, CSF enables us to maximise training activity possibilities.

In keeping with the business strategy, CSF focuses on developing management talent, the group culture, and key business knowledge.

Its structure comprises the Leadership and Management School as well as the Technical Exploration and Production, the Industrial, the Marketing, and the Corporate Processes schools. The centre will enable us to optimise training expenditures which, in 2008, amounted to 27 million euro.

Promoting a new management style

The aim of the Corporate Division of Management Development, approved by the Board of Directors in 2007, is to make Repsol YPF the best company in talent management and to create the best management team capable of attaining the established strategic objectives. It also aims to be the driving force behind a cultural transformation and the implementation of a new people-management style.

This corporate division is also responsible for in-house communication and for the diversity and work-life balance policies.

The following principles underpin our strategic vision:

- Rely on leaders who involve employees in the company’s strategy, bear the standards of its culture, and inspire pride and commitment among workers.
- Achieve a situation whereby each employee has knowledge of the strategic Repsol YPF information and agrees with its values.

Promoting a new management style
## Our objectives

<table>
<thead>
<tr>
<th>Initiatives planned</th>
<th>2008 progress</th>
<th>2009 objectives</th>
</tr>
</thead>
</table>
| Promote processes and tools for career development and merit-based recognition. | Prepare a map of talent company management talent and those with high potential.  
Reviewed competencies and the standard position model and defined a training path for a large number of company units.  
The Repsol Centre for Higher Learning (CSF), which incorporates the training activity previously developed by Higher Institute of Energy (ISE), was defined and created.  
More than 120 professionals were hired under the Exploration & Production Action Plan. | Analysis of succession to critical company jobs and follow-up of defined individual development plans.  
Complete the definition of training paths for all company areas.  
Consolidate the CSF management model and launch the Leadership School.  
Review by the Management by Commitments system, aligning the objectives of the unit to the individual contributions, adapting key behaviours to be promoted and optimising the parameters for measuring results. |
| Bolster Repsol YPF’s commitment to measuring and reporting employees’ satisfaction. | Monitoring of work climate carried out. | Implementation of new action plans to improve the work climate resulting from the monitoring carried out in 2008 and define individual objectives for management staff. |
| Promote diversity, work-life balance and integration of our employees. | Telework pilot project carried out with the participation of 130 employees.  
Launch of the employee support service.  
Completion of the remuneration audit of personnel not included in the collective bargaining agreement, broken down by age, gender, and other relevant parameters.  
Bolstered communication on diversity and work-life balance throughout the organization through the company’s various channels. Several articles on this subject were included in in-house newsletters and in the magazine for employees, in addition to other additional communication through different media.  
10% more people with different capabilities were hired. | Gradual extension of the telework programme throughout the company.  
Ensure a set of measures for employees’ work-life balance on a day-to-day basis as well as for special situations.  
Continue to foster initiatives to ensure diversity as a source of competitive advantage. |
People, the key for sustainability

Intangible assets account for approximately 70% of the companies’ market value. These assets include knowledge, brand, and, most importantly the capabilities, intelligence, and motivation of their employees. This applies to all sectors of the economy.

The value of the human factor has been increasing in organizations. The growing complexity and technification of corporate activities and processes has made it essential to have employees with diverse knowledge and skills to enable companies to implement their strategies. At Repsol YPF, our people management is based on this premise.

Our challenge is to promote the human organization and the company’s work methods as much as possible and, to achieve this we focus on what is most essential: people.

Accordingly, promoting the professional and personal development of all who are part of Repsol YPF implies that we must manage their careers in an integrated fashion, ensuring that all employees can develop their full potential and are able to apply their skills.

To achieve this, we have the appropriate tools, policies, and plans aligned to the key moments of people at the organization. For example, with regards to attracting talent, we are working on repositioning our brand as an employer to allow us to approach generations whose traits are very different from previous ones. In addition, and in line with our commitment to people and society, for some time now, we have a specific programme to attract and integrate people with different capabilities in our human team.

Our career development and talent retention goal is for Repsol YPF to be a place where each person can contribute their talent in accordance with their capabilities and to enable the organization to use this diversity to the best advantage. Our tools include management by commitment; people review sessions, a competency-based management system, and technical training programmes to ensure that all employees have access to the same opportunities.

This approach enables us to contribute value to people and to all the company’s business areas. Consequently, it is a process in which there is a proportionally direct relationship between people and business development.

People are the key element in the company and the foundation to ensure sustainability at Repsol YPF.
What to do with the company's most important asset?

This is a recurrent theme in companies’ speeches and institutional reports: “our employees are the company's most important asset”. Having said that, how do companies take care of their so-called most important asset?

Companies are concerned about their assets and make investment plans since, even though these imply expenses and debt in the short term, assets are necessary for the company’s long-term viability. Do companies act the same way with regard to their employees? How much do companies invest in them? How much do they spend in their training? Are they concerned about their employability?

Why is it that in times of crisis, employees are the first asset that companies find dispensable? If they are so important, why do they do without them so quickly? Why are employees often considered and treated as a burden rather than a something that is valuable and needs to be safeguarded?

Employees are rather special assets: each day they go home and no one knows for certain if they will be back the next day. Managing a company means setting targets, establishing action plans, giving orders so that people do one thing or the other, searching for the necessary efficiency in resources and management without losing sight that the people who perform these tasks are free and must be treated as such. Kant, the German philosopher had a maxim: “always treat people as ends in themselves, never as means to an end”. In companies, people who work there are the means to get things done and to achieve objectives. This does not mean, however, that they should be treated simply as means; they must always be treated as ends, that is, as something that has an intrinsic value. The most important thing about people is their freedom, their ability to reason, their conscience: principles and values that make them act one way or another. How do companies handle these aspects, the most relevant of their most important assets? It is very positive that companies invest time and money to give knowledge to their employees so that they can acquire certain capabilities and technical skills. However, do they invest the same amount of time and money in giving them an opportunity to think and fine tune their ethical behaviour principles? Companies have the duty of providing the necessary training for their employees to improve their ethical conduct because, even though this is not reflected in their income statements, it always has capital effect on the company’s operations over the long term and very often also in the short term. If this is not the case, just ask all those companies with one-hundred years of history which have disappeared because of the morally reprehensible behaviour of employees who were technically very well prepared.

Yes, the first responsibility of companies is to create environments that are conducive to the ethical behaviour of their employees; an environment where they can develop and grow as individuals, where they are treated as valuable and irreplaceable resources and not as something that can be used at the company's convenience. A responsible company is one in which people, rather than result, come first.
This policy outlines common action criteria to safeguard human and labour rights in all the countries where we operate.

Our actions are guided by five values: professional development, diversity, teamwork, a global approach, and our commitment to society.

A single management framework aligned with the business strategy

Our Annual Human Resources Plan (PARH) develops the activities to be carried out in each organizational unit to promote people management.

The plan is prepared each year by each unit’s management teams with the support and coordination of the heads of human resources.

The contents of the plan are determined by the business strategy of each unit, its objectives, requirements, and specific circumstances.

The plan contemplates the following programmes:

- Annual Employment and Budget Plan which determines the structure and workforce variations for the year and related personnel costs.
- Succession Plan, which ensures that critical posts are covered in the short, medium, and long term and enables planning of the measures required for development thereof.
- Mobility Plan that identifies changes that are recommended with regards to jobs in order to promote personnel development based on business requirements.
- Training Plan, which identifies the training actions necessary for staff development.
- Communication Plan that contributes to the smooth functioning of the management model and to the generation and implementation of our culture in accordance with the current situation at each organizational unit.

Ensure merit-based recognition of employees

One of the most important tools for managing our human capital is Management by Commitments (GxC), an evaluation model for measuring the performance of each individual through constant dialogue between management and employees. One of its key objectives is to ensure the recognition of excellent performance.

By means of this tool, we want to focus the efforts of employees towards achieving the defined objectives and also to have professionals committed to its development and the development of those reporting to him/her by objectively assessing not just the results, but also how to achieve these results.

The GxC results in 2008 show that we have made progress in encouraging and rewarding merit and in the actions that contribute to long-term business success.
Advanced training programmes

Through training we develop both professional and personal talent, capitalizing the technical knowledge to be more competitive and to achieve the excellence in what we do in each of the countries we have operations.

<table>
<thead>
<tr>
<th>Training Activity Index by Geographical Location in 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participants</td>
</tr>
<tr>
<td>Spain</td>
</tr>
<tr>
<td>Argentina</td>
</tr>
<tr>
<td>Rest of Latin America (3)</td>
</tr>
<tr>
<td>Rest of the World (4)</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

(1) Staff that received training as a percentage of the maximum headcount for the year.
(2) Percentage of training hours in relation to total working hours.

<table>
<thead>
<tr>
<th>Training Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Spain</td>
</tr>
<tr>
<td>Argentina</td>
</tr>
<tr>
<td>Argentina, Brasil and Bolivia</td>
</tr>
<tr>
<td>Rest of Latin America (3)</td>
</tr>
<tr>
<td>Rest of the World (4)</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

(3) Bolivia, Brazil, Chile, Ecuador, Peru, and Venezuela
(4) Libya, Portugal and Trinidad and Tobago

Training is one of the levers enabling us to achieve our business objectives. It makes it possible for us to find new business opportunities and to consolidate existing ones by learning how to relate to our customers in new ways so that we are able to understand their needs. Through training, we develop professional and personal talent, capitalising technical knowledge so as to be more competitive and to achieve excellence in what we do.

In 2008, more than 25,000 employees participated in our training programmes. In Spain, nearly 76% of our workforce received training, while in Argentina the figure was 60% and 67% in the rest of the world. Approximately 1.5% of total working hours worldwide are dedicated to training activities. [LA11]
Repsol YPF employees

At year-end 2008, 36,302 people worked at Repsol YPF in more than 30 countries.

The workforce is mainly based in Spain (50%) and Argentina (33%), as well as in Brazil (1%), Ecuador (2%), Peru (2%), Portugal (4%), and Trinidad and Tobago (1%). By business areas, 6% of our staff works in Upstream, 48% in Downstream, 30% in YPF, 6% in Gas Natural and 0.5% in LNG.

Of the total workforce, 1% are managers, 7% technical managers, 43% technicians, 6% administrative staff, and 43% are operators.

The ratio of female and male employees is 1 woman for every 3 men. Permanent contracts account for 91% of the total.

Innovate to attract talent

We incorporate innovation, efficiency, and best practices in our recruitment and selection processes.

In 2008, we redefined the selection strategy, enhancing our knowledge of the target public and capitalising our internal resources. We introduced the “brand as employer” concept and promoted the Employment Marketing function.

We promoted the value of quality employment at Repsol YPF among university and professional training students. For example, we launched the “I am” campaign (SOY) in university newspapers, redesigned and updated the contents in the corporate Employment Channel in repsol.com, encouraged participation in employment forums, and sponsored several reports and seminars.

We also developed the “Impulse” scholarship programme, which provides students in the last years of their studies an offer that goes beyond practices, such as training in language, skills, and general competencies, offering them the possibility of joining the company through the New Professionals Programme.

Thanks to these initiatives, we are included in the select group of Top Companies in which to Work, also obtaining an excellent rating in the MercoPersonas employee study.

In 2008, more than 1,850 people joined Repsol YPF, 120 of who were hired under the

### Number of Employees by Geographical Location

<table>
<thead>
<tr>
<th>Year</th>
<th>Spain</th>
<th>Latin America</th>
<th>Rest of the World</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>17,175</td>
<td>14,578</td>
<td>1,584</td>
<td>33,337</td>
</tr>
<tr>
<td>2005</td>
<td>18,212</td>
<td>15,562</td>
<td>2,135</td>
<td>35,909</td>
</tr>
<tr>
<td>2006</td>
<td>18,522</td>
<td>16,241</td>
<td>2,168</td>
<td>36,931</td>
</tr>
<tr>
<td>2007</td>
<td>18,431</td>
<td>15,723</td>
<td>2,546</td>
<td>36,700</td>
</tr>
<tr>
<td>2008</td>
<td>18,460</td>
<td>15,301</td>
<td>2,541</td>
<td>36,302</td>
</tr>
</tbody>
</table>

### Breakdown of Workforce by Gender and Professional Categories

<table>
<thead>
<tr>
<th>Year</th>
<th>Managers</th>
<th>Technical managers</th>
<th>Technicians</th>
<th>Admin. staff</th>
<th>Operators</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>281</td>
<td>1,611</td>
<td>10,777</td>
<td>926</td>
<td>13,828</td>
<td>27,423</td>
</tr>
<tr>
<td>2006</td>
<td>21</td>
<td>261</td>
<td>2,780</td>
<td>1,642</td>
<td>3,782</td>
<td>8,486</td>
</tr>
<tr>
<td>2007</td>
<td>24</td>
<td>331</td>
<td>3,151</td>
<td>1,599</td>
<td>4,045</td>
<td>9,150</td>
</tr>
<tr>
<td>2008</td>
<td>25</td>
<td>385</td>
<td>3,349</td>
<td>1,426</td>
<td>3,926</td>
<td>9,112</td>
</tr>
</tbody>
</table>

### STAFF BY TYPE OF CONTRACT AND GEOGRAPHICAL LOCATION

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>16,135</td>
<td>2,077</td>
<td>10,725</td>
<td>1,972</td>
<td>2,679</td>
<td>186</td>
<td>1,998</td>
<td>1,226</td>
</tr>
<tr>
<td>2006</td>
<td>16,990</td>
<td>1,878</td>
<td>11,046</td>
<td>2,058</td>
<td>2,993</td>
<td>2,933</td>
<td>2,042</td>
<td>1,273</td>
</tr>
<tr>
<td>2007</td>
<td>16,899</td>
<td>1,532</td>
<td>10,983</td>
<td>2,355</td>
<td>2,770</td>
<td>2,220</td>
<td>2,404</td>
<td>1,422</td>
</tr>
<tr>
<td>2008</td>
<td>17,136</td>
<td>1,324</td>
<td>10,582</td>
<td>1,380</td>
<td>2,860</td>
<td>2,404</td>
<td>2,361</td>
<td>1,812</td>
</tr>
</tbody>
</table>

### Rate of Voluntary Turnover

<table>
<thead>
<tr>
<th>Year</th>
<th>Total resignations of permanent staff/average aggregate workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>2.7%</td>
</tr>
<tr>
<td>2005</td>
<td>2.27%</td>
</tr>
<tr>
<td>2006</td>
<td>2.18%</td>
</tr>
<tr>
<td>2007</td>
<td>2.83%</td>
</tr>
<tr>
<td>2008</td>
<td>2.74%</td>
</tr>
</tbody>
</table>

### Turnover in Absolute Terms by Geographical Location

<table>
<thead>
<tr>
<th>Year</th>
<th>Spain</th>
<th>Argentina</th>
<th>Rest of Latin America</th>
<th>Rest of the World</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1,269</td>
<td>1,009</td>
<td>461</td>
<td>197</td>
</tr>
<tr>
<td>2006</td>
<td>4,372</td>
<td>32,725</td>
<td>4,206</td>
<td>32,556</td>
</tr>
<tr>
<td>2007</td>
<td>3,725</td>
<td>32,725</td>
<td>4,206</td>
<td>32,806</td>
</tr>
<tr>
<td>2008</td>
<td>3,275</td>
<td>32,725</td>
<td>4,206</td>
<td>3,364</td>
</tr>
</tbody>
</table>

### Direct and Indirect Jobs Created

<table>
<thead>
<tr>
<th>Year</th>
<th>Business units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2,077</td>
</tr>
<tr>
<td>2006</td>
<td>1,878</td>
</tr>
<tr>
<td>2007</td>
<td>1,640</td>
</tr>
<tr>
<td>2008</td>
<td>1,426</td>
</tr>
</tbody>
</table>

[Emp]: Employee: worker recognised as an employee of the organization (own personnel) by national laws or practices.

[SW]: Supervised worker: Professional who works in the business area for or on behalf of the organization but is not recognised as an employee under national laws or practices (contractor personnel).
We believe that a close relationship between universities and the company is decisive for capturing talent. We have executed framework agreements with over 60 centres of higher education in Spain. In addition, we have increased our presence in employment forums, universities, professional training centres, and events with students with different capabilities. We are also promoting our presence in virtual forums. In 2008, we sponsored a meeting of the Centros de Orientación and Información de Empleo (COIE) (Employment Orientation and Information Centres) from all parts of Spain at the University of Murcia. The goal is to bring our different work centres (especially industrial complexes) closer to universities. Along these lines, we launched the Ambassador Programme to identify teachers in universities and professional training schools who will act as our recruiters and will have a specific programme to resolve doubts, provide information on joining Repsol YPF, and convey our values to students. The Impulsa Scholarship programme, offering remunerated practices to students in the fourth and fifth years of their careers, and free on-line training, are among the collaboration channels that we have with universities. These initiatives ensure that we will be able to identify professionals with the greatest potential.

Repsoin, our intranet
Repsolnet is the company’s intranet. It includes the Employee’s Portal which publishes information on human resources management, the results of work climate surveys, and information on job vacancies. The Boss’ Channel included in Repsolnet is of particular interest since it provides team managers relevant data on day-to-day management. Managers can access the tools to manage the unit and the team’s career development, and obtain supplementary information on agreements, professional rating systems, and human resources policies.

Action Plan, a five-year programme to cover the demand anticipated for professionals over the coming years in the Exploration and Production division. In addition, 280 people were hired for the Refining Spain unit in the Downstream division for projects related to the enlargement of several of our facilities and to ensure the generational shift.

Expatriates
The number of international employees has grown exponentially over the past few years, totalling 889 at 31 December 2008. We created the company Repsol Exploration Advanced Services (REAS) to facilitate the recruitment of international staff for the exploration and production business with recruitment of specialised personnel increasing in accordance with the “E&P Action Plan”.

In 2008, we carried out a process to improve the expatriates unit which is now called the International Appointment and Recruitment Department (SCAI), and which is focused on:
- Providing expatriate services and improving the image at internal customers.
- Ensuring the effectiveness and efficiency in work processes.
- Providing services to the families of employees assigned abroad, helping them to become integrated in the social environment.
- Improving the quality of suppliers who render services to the international employees.

The objective of this change process is for SCAI to become a team that strives in its day-to-day work to facilitate the lives of expatriates in foreign countries.

Mobility for growth
For us, mobility is an essential factor for growth. It gives us the opportunity of acquiring first-hand knowledge about the various businesses and to take on different competencies throughout our careers. Our Standard for Filling in Vacancies encourages in-house mobility and the optimisation of work teams, ensuring that we always have the most skilled professionals for each area and job.

The university as a source of talent
We believe that a close relationship between universities and the company is decisive for capturing talent. We have executed framework agreements with over 60 centres of higher education in Spain. In addition, we have increased our presence in employment forums, universities, professional training centres, and events with students with different capabilities. We are also promoting our presence in virtual forums. In 2008, we sponsored a meeting of the Centros de Orientación and Información de Empleo (COIE) (Employment Orientation and Information Centres) from all parts of Spain at the University of Murcia. The goal is to bring our different work centres (especially industrial complexes) closer to universities. Along these lines, we launched the Ambassador Programme to identify teachers in universities and professional training schools who will act as our recruiters and will have a specific programme to resolve doubts, provide information on joining Repsol YPF, and convey our values to students. The Impulsa Scholarship programme, offering remunerated practices to students in the fourth and fifth years of their careers, and free on-line training, are among the collaboration channels that we have with universities. These initiatives ensure that we will be able to identify professionals with the greatest potential.
Knowledge management

We promote the exercise of putting down on paper the “mental maps” as a way of generating ideas and transferring them to others.

A wide array of management tools and processes are available at the corporate intranet, Repsolnet, such as formal knowledge or learning networks, periodic meetings, interactive platforms integrated in work procedures, as well as shared information programmes.

We also promote Post-action Reviews, an analysis and reporting system for daily tasks or completed projects.

In addition, we try to disseminate the knowledge of professionals who recount their retirement or training, which we consider useful for other people. We also promote the exercise of putting down on paper the “mental maps” as a way of generating ideas and transferring them to others.

We develop maps to identify the necessary technical knowledge in each scenario and the sources thereof and also develop training plans.

Social networks function in parallel with other knowledge transfer mechanisms within the organization. By studying these networks, we are able to manage knowledge in a more informal manner. We also pay special attention to technological information that could be of interest, such as patents, technical articles, and relevant reports.

We promoted the creation of the Moebius Project, an integrated network of people, processes, contents, technology and semantics that facilitates the creation and exchange of knowledge throughout the organization and among all our stakeholders.

Our knowledge management programmes have been recognised with the prestigious Most Admired Knowledge Enterprises (MAKE) award, ranking us among the ten leading companies in Europe in Knowledge Management in 2008. This Award, created in 1999 by Teleos and The Know Network, appraises the ability of organizations to generate value for their shareholders and increase share capital by transforming knowledge into products, services and better or more innovative solutions.

<table>
<thead>
<tr>
<th>USE OF KNOWLEDGE MANAGEMENT TOOLS</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practice communities</td>
<td>43</td>
<td>48</td>
<td>38</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>278</td>
<td>370</td>
<td>423</td>
</tr>
<tr>
<td>Users</td>
<td>14,741</td>
<td>16,000</td>
<td>20,309</td>
</tr>
<tr>
<td>Repsolnet users</td>
<td>26,500</td>
<td>29,100</td>
<td>30,375</td>
</tr>
</tbody>
</table>
Wagering on talent and diversity of profiles

Our competitiveness and sustainability as a leading company depends to a large extent on identifying and developing talent.

We strive to convey our motivation to our employees so that they can grow in a company whose goal is to be the best place in which to work.

We operate in more than 30 countries. Our human team is highly diversified in relation to gender, age, nationality, and professional profile. Our commitment, therefore, is to identify and manage these various types of talent as best as possible.

In 2008, we remained committed to attracting, developing, and retaining the best talent with programmes such as People Review, Development Centre, with executive tutoring, interviews with high potentials, competency reviews, and training programmes.

Map of competencies to develop all our potential

The success of our activities largely depends on managing our talent and knowledge as efficiently as possible. Thanks to the Technical Competencies, Standard Positions, and Training Itineraries, we have been able to find, integrate, and appraise the technical knowledge and

repsol.com: let’s talk together about the future

At Repsol YPF, we search for talent all over the world through the “Let’s talk together about the future” section in repsol.com. Our goal is to reach the largest and most varied group of potential talents, committed to the future and to the company.

Those interested in learning about our job offers can check this space, which also provides information on scholarships, recruitment processes, forthcoming events, in addition to employees’ remarks. It also provides a guide on Repsol YPF’s approach in relation to development and training, diversity and integration, and external valuation.
People review: the search for skills and profiles

People review is a process in which members from a business unit meet over several days to review the skills and profiles of a group of previously selected individuals. The objective is to identify possible successors for management posts and high potentials for technical and management careers to make sure that senior management posts are covered in the future.

In 2008, 58 sessions and the review of more than 3,000 profiles enabled us to obtain a map of talent at each of our divisions and to define a specific development plan.

Learning paths, a solution for our needs

Technical knowledge is an important factor for the growth of our activities. Accordingly, the Executive Committee has reviewed technical competencies, standard posts, and training paths to be able to manage technical talent from a platform of knowledge shared by all employees.

The training paths defined as a consequence of this review will enable us to:

- Orientate our development with training focused on critical competencies.
- Promote technical training based on a more global approach, integrated, and shared by all Repsol YPF divisions.
- Optimise planning and management of training as well as the training method.

Over the course of 2008, we extended this project to the Exploration and Production, Refining, Chemicals, LPG, Purchasing and Contracting, Safety and the Environment, Quality, Health, Engineering, Technology and Human Resources divisions.

New leaders

In 2008, we announced the composition of the new management team constituted by global and experienced leaders who are also focused on results and with excellent abilities to management. These changes were decided on the basis of the results of talent management programmes. Accordingly, priority in the renewal process was given to those with the best skills.

The profile of our management team is more global and more diverse in terms of gender and nationality. The percentage of women executives increased from 8% to 10%.

Executive mentoring plan

The two key objectives of the Executive Mentoring Plan, designed for recently-appointed managers, are as follows:

- Accompany the executives in the new career change and offer them the necessary support.
- Expedite and improve the transition process to minimise the impact on their development and on their new scenario.

The plan consists of two key measures:

- Transition management workshop.
- Programmes to learn about, develop, and put into practice leadership and people management capabilities.
We are aware that an appropriate remuneration scheme is essential for attracting, motivating, and retaining the best professionals.

Our remuneration policies seek to be competitive in a market aligned with a leading company such as ours, and, at the same time, aim to recognise individual performance in a spirit of fairness within the organization.

We describe below the main components of our employees’ remuneration:

• **Fixed remuneration:** based on market indicators, the employee’s contribution, and the level to which they have developed their competencies and potential. Annual salary increases are designed to reward those who achieve the best results.

• **Variable short-term remuneration:** we appraise employees’ contribution on an annual basis, both in terms of results and the methods of attaining such results. This type of remuneration is calculated as a percentage of fixed remuneration and applied to all managers and employees not included in the collective bargaining agreement and also to certain groups subject to the aforementioned agreement.

• **Variable long-term remuneration:** rewards the contribution towards the achievement of the company’s strategic objectives and extends over a horizon of several years. It applies to executives and, selectively, to other very qualified and high potential groups as an incentive for sustained value accretion.

• **Social benefits:** several benefits complementing the remuneration package for each group, aligned to the best practices in relevant markets. These benefits include: medical insurance, pension plans, life insurance, food vouchers, preferential loans, education aid, and other.

In recent years, our aim has been to align sustainability commitments with the salary incentives of our employees. Accordingly, meeting specific sustainability targets, such as the reduction of greenhouse gas emissions or the implementation of biodiversity or safety programmes, are among the factors that influence the variable remuneration of units with responsibilities in these areas.

**Equitable and transparent pay structures**

We are firmly committed to recognising, equitably and transparently, the contribution of our employees to the achievement of the company’s business plans.
In keeping with the principles of good corporate governance, the units responsible for the control and preparation of technical, financial, or accounting indicators, are not entitled to any type of compensation linked to these indicators, beyond the general objectives relating to the success of the company’s operations.

Any substantial changes in the remuneration system must be submitted to the Executive Committee for its approval and, in relation to senior management, any changes must be approved by the Board of Directors.

Individual remuneration decisions are made by the chain of command within the framework of the company-defined compensation policies and budgets. Those in charge must have a global vision of the fundamental principles governing the company’s remuneration policy, the different remuneration components of their collaborators, and the salary costs of their organizations.

We use salary studies as a reference to determine the company’s position with respect to the market and, accordingly, use market studies from the various countries and sectors where we operate, prepared by the leading firms in this segment. We also participate in international forums and in relevant salary surveys in order to learn about the latest trends and the best remuneration practices so as to be competitive in the short, medium, and long term.

On the basis of the information provided by these studies, we establish the remuneration structure and salary levels for each group and sector where we operate. We revise our remuneration structures constantly to ensure that these are in line with changing market scenarios and in-house requirements.

We are transparent in providing information on our remuneration policy. Our Compensation and Benefits Policy and the main remuneration decision-making procedures are available for all our employees at the company’s intranet, including: annual salary review, annual variable remuneration, medium-term incentives, etc. In addition to providing this information, we conduct specific training on people management tools with special courses on remuneration. In 2008, we conducted a specific campaign in this respect with the participation of more than 1,400 people.

In the documents distributed outside the company, such as the Consolidated Financial Statement and the Corporate Governance Report, we disclose the remuneration policy for senior management and other payments made to its members over the course of the fiscal year.

We enjoy social benefits beyond those required by law

Most of our employees enjoy social benefits that go beyond those required by law, such as pension plans, insurance, and medical aid. We offer pension plans to nearly 71% of our employees. In 2008, we spent 41 million euro in this concept, 11% more than in 2007. In addition, 44% of our employees have private health insurance plans that frequently extend to their families.

Our social benefits also include life insurance, medical check-ups, maternity and paternity leave, retirement rights, food vouchers or canteen meals, training for employees and their offspring, subsidised nursery schools, transport, and employee loans. EC1

Other social benefits

At Repsol YPF, we want to support employees who encounter problems of violence or harassment, at the workplace or in their personal lives. To this end, we have implemented several initiatives to prevent workplace harassment and to support victims of gender violence. EC3

Harassment prevention protocols

In the first half of 2008, we signed the Harassment Prevention Protocol which outlines the steps that the employee should take in the event of workplace harassment. EC3

Supporting victims of domestic violence

The definition of domestic violence and the measures that the company makes available to its employees are included under the section “Protection of victims of domestic violence” in Annex IV of the Fourth Framework Agreement. These measures include psychological, medical, legal, job-related, and financial support. EC3

A specific internal protocol for the protection of victims of domestic violence has also been developed in Argentina.

**Personnel Expenses (Million Euro)**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>1,134</td>
<td>1,238</td>
<td>1,379</td>
<td>1,510</td>
</tr>
<tr>
<td>Social security</td>
<td>408</td>
<td>436</td>
<td>476</td>
<td>506</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,542</strong></td>
<td><strong>1,674</strong></td>
<td><strong>1,855</strong></td>
<td><strong>2,016</strong></td>
</tr>
<tr>
<td>Average cost per employee (euro)</td>
<td>43,758</td>
<td>45,328</td>
<td>50,525</td>
<td>55,548</td>
</tr>
</tbody>
</table>

**Cost of Employee Benefits (Million Euro)**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension plans</td>
<td>34.2</td>
<td>35.0</td>
<td>41.2</td>
</tr>
<tr>
<td>Health insurance</td>
<td>19</td>
<td>22.1</td>
<td>26.3</td>
</tr>
<tr>
<td>Preferential loans</td>
<td>0.1</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Canteen services/meal subsidies</td>
<td>20.1</td>
<td>26.7</td>
<td>30.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73.3</strong></td>
<td><strong>84.1</strong></td>
<td><strong>98.3</strong></td>
</tr>
</tbody>
</table>
Diversity, a competitive advantage

We are committed to preventing discrimination and encouraging diversity in all our activities.

People of more than 70 nationalities work at the company and we operate in very diverse societies and markets. We believe that diversity and non-discriminatory practices enhance our positioning in respect of our peers and bolster our employees’ commitment and their pride in being part of the company.

We strive to consolidate the only possible culture: a culture of equal opportunities. The Diversity and Work-Life Balance Committee, has worked on defining specific measures to promote diversity and work-life balance and the vision and strategic priorities for the 2009-2012 period. We strive to flexibility, schedule rationalization, employee support services, and telework. As a result, the percentage of women at management positions increased to 10.2% in 2008.

Equal remuneration and promotion opportunities for men and women

Our gender equality initiatives focus on equal pay and promotion opportunities for high potential women:

- The Chief Executive Officer formally notified managers of Repsol YPF’s commitment to equal opportunities in salary reviews.
- In 2008, we conducted a remuneration audit to obtain a diagnosis of the actual situation. We noted that there were no differences in the salaries of workers who were less than 40 years of age.
- During the People Review sessions, the business or unit committees meet to identify high potentials among their staff, and take women into account in the promotion and development processes, striving to ensure that they participate in training for high potentials.

Integration of employees with different capabilities

Among the actions that the company has implemented in Spain to promote the integration of personnel with different capabilities, the following are worth mentioning:

Integration

- Special initiatives for the integration of people with different intellectual capabilities in our workforce through the implementation of the supported employment methodology.

Performance assessment

<table>
<thead>
<tr>
<th>Performance assessment</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of employees (a)</td>
<td>35,909</td>
<td>36,931</td>
<td>36,700</td>
<td>36,302</td>
</tr>
<tr>
<td>Number of employees whose performance was formally assessed and reviewed during the period (b)</td>
<td>5,943</td>
<td>10,398</td>
<td>10,906</td>
<td>11,793</td>
</tr>
<tr>
<td>Percentage of employees whose performance was formally assessed and reviewed during the period (b/a)</td>
<td>17%</td>
<td>28%</td>
<td>30%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Workforce by age and gender in 2008

<table>
<thead>
<tr>
<th>Women</th>
<th>Men</th>
<th>W %</th>
<th>M %</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20</td>
<td>42</td>
<td>63</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>20-30 years</td>
<td>3,115</td>
<td>5,255</td>
<td>37</td>
<td>63</td>
</tr>
<tr>
<td>30-40 years</td>
<td>3,748</td>
<td>8,160</td>
<td>31</td>
<td>69</td>
</tr>
<tr>
<td>40-50 years old</td>
<td>1,698</td>
<td>6,876</td>
<td>20</td>
<td>80</td>
</tr>
<tr>
<td>50-60 years</td>
<td>876</td>
<td>5,989</td>
<td>13</td>
<td>87</td>
</tr>
<tr>
<td>More than 60 years</td>
<td>30</td>
<td>452</td>
<td>6</td>
<td>94</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9,508</td>
<td>26,794</td>
<td>26</td>
<td>74</td>
</tr>
</tbody>
</table>

Country | Starting salary | Minimum salary | % |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>15,652</td>
<td>8,400</td>
<td>86</td>
</tr>
<tr>
<td>Argentina</td>
<td>5,183</td>
<td>3,493</td>
<td>48</td>
</tr>
<tr>
<td>Bolivia</td>
<td>9,793</td>
<td>646</td>
<td>1,417</td>
</tr>
<tr>
<td>Brazil</td>
<td>4,673</td>
<td>1,862</td>
<td>151</td>
</tr>
<tr>
<td>Ecuador</td>
<td>1,778</td>
<td>1,778</td>
<td>0</td>
</tr>
<tr>
<td>Peru</td>
<td>2,612</td>
<td>1,538</td>
<td>70</td>
</tr>
<tr>
<td>Portugal</td>
<td>5,400</td>
<td>5,112</td>
<td>6</td>
</tr>
<tr>
<td>Trinidad &amp; Tobago</td>
<td>869</td>
<td>793</td>
<td>10</td>
</tr>
<tr>
<td>Venezuela</td>
<td>7,587</td>
<td>3,032</td>
<td>150</td>
</tr>
</tbody>
</table>

Relationship between starting and minimum salaries (euro/year)
- Promoting occupational training courses prior to integration in the work centre.
- Direct employment of people with different capabilities.

Alliances
- The INSERTA agreement with Fundación ONCE.
- Participation in forums.

Training and awareness activities
- Events to raise awareness and increase motivation.
- Improved access to installations and buildings.
- Adapting repsol.com to international accessibility standards.
- Periodic studies on jobs at office buildings and industrial facilities.

At 31 December 2008, 422 employees with different capabilities worked in Repsol YPF, representing 2.29% of the total workforce. This means an increase of 10% in respect of those of the previous year.

Diversity project
According to the work climate studies we have conducted, diversity management is one of the key challenges for our company.

The Repsol YPF Diversity Project implies a cultural transformation. The objective is to promote equal opportunities to ensure our competitiveness.

This program is based on sensitization, talent, work-life balance, diversity, the design of a monitoring scorecard and internal regulations and procedures of people management.

Progress made in improvement measures as identified in the work climate survey
We, the employees as a whole, are the ones who diagnose the strengths and the company areas that could be improved. On the basis of the results, we design action plans based on a standard methodology and then a transversal action plan focusing on three work related issues: diversity and work-life balance, management style, and people management.

The Work Climate Study conducted in 2006 showed that our employees are satisfied with their situation. Seven out of ten employees are proud of working at Repsol YPF and would recommend the company as a good place in which to work.

In November 2008, we conducted a new work climate survey with 8,000 employees participating to assess the progress made since the previous study. The results showed that progress had been made in most of identified areas for improvement.

The Work of the Diversity and Work-Life Balance Committee

The strategy of the Diversity and Work-Life Balance Committee is based on the following six lines of action:
- Attracting and retaining talent.
- Appropriate management of diversity.
- Work-life balance
- Sensitization and communication.
- Alignment of people management standards and procedures.
- Management scorecard.

In 2008, the Committee implemented new measures such as the telework pilot project in Spain and Argentina. In Argentina, we were the first to implement this new work method in this country and we were awarded for it the Meta 4 Prize for innovation in the human resources category.

We also approved the Support Service for employees for their daily personal lives. We also signed the Reduction of the Working Day Protocol of employees working in shifts.

<table>
<thead>
<tr>
<th>Professional Category</th>
<th>Spain</th>
<th>Argentina</th>
<th>Venezuela</th>
<th>Peru</th>
<th>Bolivia</th>
<th>T&amp;T</th>
<th>Ecuador</th>
<th>Brazil</th>
<th>Portugal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>92</td>
<td>95</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Technical managers</td>
<td>95</td>
<td>92</td>
<td>43</td>
<td>34</td>
<td>102</td>
<td>38</td>
<td>36</td>
<td>45</td>
<td>96</td>
</tr>
<tr>
<td>Technicians</td>
<td>93</td>
<td>93</td>
<td>88</td>
<td>84</td>
<td>85</td>
<td>67</td>
<td>103</td>
<td>101</td>
<td>70</td>
</tr>
<tr>
<td>Admin, staff</td>
<td>90</td>
<td>89</td>
<td>–</td>
<td>130</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Operators</td>
<td>90</td>
<td>67</td>
<td>–</td>
<td>87</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>TOTAL</td>
<td>92</td>
<td>62</td>
<td>83</td>
<td>79</td>
<td>78</td>
<td>75</td>
<td>99</td>
<td>81</td>
<td>52</td>
</tr>
</tbody>
</table>

Does not include the salaries of the CEO, Executive Committee, or expatriates.
Environmental management and efficient use of resources

A prosperous society needs oil and gas in order to improve and increase its members’ quality of life. Energy companies today face an important challenge, that of satisfying growing demands for energy in a socially and environmentally responsible manner.

We believe that technological innovation, together with a progressive model of environmental management are the key to responding to this challenge.

Our efforts to mitigate the negative impacts of our activities on the environment have become more effective with each passing year. The identification of different impacts, their analysis and monitoring, the design of improvements in processes and management systems, investment in new technologies, improvements are all measures which help to make a reality of our goal of minimising environmental impact in our area of operations.
HOW WE WORK

Management model

Our environmental principles are defined in our Health, Safety and Environment Policy, which is applied throughout the company. One of these principles is to incorporate environmental criteria, in addition to health and safety questions in the whole range of activities in order to minimise the impact on our environment.

The basis of our environmental management is our Environmental and Safety Manual, which is applicable to all our units, and which contains functions and responsibilities and establishes a standardised system and management tools for the company as a whole.

In addition, we have complemented the Manual with an extensive body of standards, procedures and technical guidelines which are constantly updated to adapt them to best practices in the sector and which, together with the management systems developed by business units or operating centres, complete our environmental management system.

Our objectives

<table>
<thead>
<tr>
<th>Planned Activities</th>
<th>Level of progress 2008</th>
<th>2009 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of Volatile Organic Compounds (VOCs).</td>
<td>Implementation of leak detection and elimination programmes in seven out of nine refineries and five out of eight chemical plants. Implementation of other VOC reduction programmes in industrial plants. Installation of Phase II of vapour recovery in service stations in Spain.</td>
<td>Continue implementation of these programmes in different company activities.</td>
</tr>
<tr>
<td>Reduction of hydrocarbon spills.</td>
<td>Reduction of rate of spills in exploration and production and logistics in Argentina, achieving the objectives established in both areas.</td>
<td>Continue with the actions to reduce hydrocarbon spills.</td>
</tr>
<tr>
<td>Optimisation of water consumption.</td>
<td>Development of water consumption optimisation plans in seven of the company’s nine refineries and in three chemical plants in Spain.</td>
<td>Extend implementation of the optimisation programmes to other company centres.</td>
</tr>
<tr>
<td>Continuous improvement of the environmental management system.</td>
<td>Certification of 18 new centres according to the ISO 14001 standard.</td>
<td>Increase the scope of ISO 14001 certifications to new centres.</td>
</tr>
</tbody>
</table>

Repsol’s Corporate University at Mostoles (Spain).
Certifications

Throughout 2008, we continued our trend of increasing the number of certified centres qualifying for the international ISO 14001 standard.

We have maintained our certification in all our centres and obtained a further 18 certificates:

- Exploration and production activities in Colombia and Trinidad and Tobago.
- Seven LPG installations (Peru, Ecuador, Portugal and Argentina).
- A logistics terminal in Portugal.
- Two lubricant and speciality plants in Portugal.
- Four marine and fishery supply installations in Spain.
- Direct sales activities and aviation in Argentina.

We have also obtained certification for the ISO 14001 standard: 21 aero plants, 32 marine and fishery installations, 33 service stations, 31 LPG factories, an underground natural gas storage installation, geophysical and drilling operations in Argentina, exploratory activities in Libya, (Remsa) and direct sales and aviation activities in Argentina.

All the certificates obtained are available for view at repsol.com.

We audit all our operating centres

Our own methodology is included in the Environmental and Safety Audit Manual, in which we address the performance of internal and external audits, the latter being a legal requirement, and certification audits. The manual establishes three yearly cycles so that all our centres can be audited. The number of audits should be balanced in such a way that a cycle is not covered solely by internal or external audits and covers both technical aspects and those concerning management systems.

We provide an annual safety and environmental auditing plan which includes internal audits associated with management systems, and external audits associated with certification processes for voluntarily improving environmental management, and legal regulatory audits.

Throughout 2008 we have carried out 726 voluntary environmental and safety audits, 558 of which were internal and 168 external associated with certification processes. Additionally, we carried out 441 legal regulatory audits.

(1) Number of "crossed" internal audits (carried out by qualified personnel from a different work centre to that audited). Local internal audits carried out by personnel at that centre are not included.

Main ISO 14001 certifications by activity at closure of 2008

<table>
<thead>
<tr>
<th>Activity</th>
<th>Centres</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refinery</td>
<td>9 out of 9</td>
<td>100</td>
</tr>
<tr>
<td>Chemicals</td>
<td>8 out of 8</td>
<td>100</td>
</tr>
<tr>
<td>Exploration and production</td>
<td>15 out of 18</td>
<td>83</td>
</tr>
<tr>
<td>Technology centres</td>
<td>2 out of 2</td>
<td>100</td>
</tr>
<tr>
<td>Lubricants and specialties</td>
<td>18 out of 18</td>
<td>100</td>
</tr>
<tr>
<td>Logistics terminals</td>
<td>19 out of 21</td>
<td>90</td>
</tr>
</tbody>
</table>
Sustainability

Our company’s projects and operations are increasingly complex and need to respond to demanding environmental and social challenges. Our capacity to address these requirements will be the key to the continuity of our business. All our sectors of activity are of necessity sensitive areas requiring a responsible attitude on our part.

We have continued to move forward in improving our environmental management, with particular emphasis on energy efficiency, improving fuel quality and reducing emissions.

In the field of exploration and production we have completed our implementation of uniform environmental standards in all our operations and we have continued to reinforce our preparation and training in the event of possible marine spills. This has led, together with our technical expertise, to our being qualified to operate in particularly restrictive areas such as Norway and US territorial waters in the Gulf of Mexico.

A correct analysis of environmental aspects of any of our operations requires an integrated focus on their social impact. These are two indistinguishable realities. Impact studies and risk identification analyses made prior to carrying out any project are a clear example of our dual reality.

There is always room for improvement. It is important to be aware and informed of best practices in the industry and to concentrate on their early implementation. It is essential to move forward with knowledge of the new areas where we are proposing to carry out our activities. On these two pillars, the ability to anticipate and with knowledge of best practices, we can target the essential process of continuous improvement to which we are committed. The management team and the company as a whole are totally committed to continuous improvement. This undertaking and commitment is in turn, our necessary contribution to sustainable development, a self evident need in the world we live in today.
Environmental management and efficient use of resources

We are living in times of great uncertainty for the oil and gas industry: a financial crisis which restricts access to new capital and stifles demand for our products; oil prices that have fluctuated between $40 and $140/bbl over the last 12 months; the challenge to replace reserves as major fields decline, whilst access to new exploration opportunities is limited, and increasingly in more remote and sensitive environments; whilst at the same time, society is becoming increasingly concerned about climate change and biodiversity loss. There is a strong consensus among IPIECA member companies that environmental (and social) issues are becoming more and more important for our industry, and performance improvement cannot take a back seat until the global economy recovers.

How should the industry respond? Many senior leaders have come to realise that managing environmental risks well not only enhances the bottom line, but also reflects a company’s values, which in turn affects how it is perceived by the outside world when it seeks a licence to operate. There is a recognition that managing such risks is an integral part of the oil and gas business, not an optional extra, but there are trade-offs to be made between principles, people, profit and performance.

Many companies have identified a senior leader accountable for environmental matters, established environmental policies, developed management systems and set up processes to identify the most important issues.

However what differentiates leaders from laggards is how effectively such good practices are implemented - put into practice. Yet how often are management system documents left to gather dust on the shelf? How often can an operation demonstrate that they are part of effective day-to-day management and demonstrate the performance improvement they are designed to deliver? What are the secrets? Well, this is not rocket science. A few simple examples: set competence standards and make sure that all staff in critical positions meet those standards; gather good quality data - this not only allows leaders to make good decisions, but forms the basis for open and transparent reporting to the outside world; have an independent audit programme with follow up monitored by senior management. If a company implemented the best practices from within its own operations, performance would improve. A company implementing industry best practice, identified through working with a trade association like IPIECA, can improve performance significantly.

But industry cannot do everything by itself. It is a part of society and must meet their expectations. IPIECA members have found that issues that require greater understanding and dialogue can be worked better in partnership with governments and NGOs. Responding to concerns about climate change can be handled internally within in a company by improving energy efficiency or reducing natural gas flaring, but other aspects such as gaining public acceptance for Carbon Capture and Storage (CCS) and developing standards for the production of sustainable biofuels are better handled in a multi-stakeholder setting. IPIECA members work with the United Nations Environment Programme (UNEP) to phase out lead in gasoline, and also have a global partnership with the International Maritime Organisation (IMO) on oil spill preparedness and response.
Environmental criteria as part of the company strategy

The duties of the Audit and Control Committee of the Board of Directors include familiarity with and guidance of the policy, guidelines, and objectives of Repsol YPF in the area of safety and environment.

Strict environmental control
Every year we establish our environment goals within the strategic framework of Safety and Environment, and these are approved by the company’s Management Committee.

The strategic framework includes critical areas for protection of the environment, and refers to questions such as management leadership, improvement of management mechanisms, risk control and reduction of the environmental impact of the activities and products.

Furthermore, this strategic framework serves as a basis for drawing up action plans for each of our businesses, where we include the actions necessary for the improvement of management in order to respond to new legislative initiatives, in addition to investments and costs required, which are included in the general budgets.

We invest in improving our processes
In 2008 our environmental investment amounted to 263 million euros (56.6 of which correspond to the environmental quality of products) and the costs amounted to 145 million euros. EN30

Some of our more significant investments in 2008 include, as in previous years, those required to achieve environmental quality of petroleum products required by new Spanish and Argentine regulations for a total of 56 million euros. Specific projects in this area include continuation of the project for including quality of petrol and diesel in the Cartagena refinery in Spain, with an environmental investment of 12 million euros.

We have also made considerable investments in avoiding, reducing or controlling contaminating emissions, such as those destined for atmospheric protection, water and soil protection and that of subterranean waters. These investments, which are detailed below, include continuation of development of the oxidation through hydroperoxide plant (OHP) for treatment of effluent in the chemical plant at Tarragona, Spain with an investment of three million euros in 2008.
Excellence in environmental management as priority in Project C-10: extension of the Cartagena refinery

The extension of the Cartagena, in Spain, is one of the key initiatives of the Strategic Plan 2008-2012. The investment of 3,262 million euros will allow this complex to become one of the most modern complex in the world and to double the capacity up to 220,000 barrels per day. The project includes, as primary units, a hydrocracker, a coker, topping and vacuum units, and desulfurb and hydrogen units.

From an environmental perspective, the Cartagena refinery extension assumed as one of its main objectives, the reduction of impact on the environment.

A substantial part of the investment is exclusively dedicated to recovery of contaminating products generated in the main process units mentioned previously, and their transformation in reusable compounds, through amine plants, acid waters, sulphur recovery, treatment of effluents or recovery of gas flares.

Since the project was devised, we have made best use of synergies with present installations reducing built surface. In addition the new plants were designed to reduce environmental impact to a maximum, in particular the reduction of contaminants in the atmosphere and optimisation of water consumption. Below we explain the main measures taken in the project:

**Energy efficiency**

Energy consumption of the new distillation unit will be 30% less than our currently most efficient refineries. We will achieve this by maximising the heat exchange surface between the crude oil and the end products.

**Reduction of SO2 and NOx emissions**

The extended refinery will consume 30% less fuel oil than at present (in absolute values). In addition, the fuel oil will be formulated with lighter components achieving a reduction of 40% sulphur in its composition. The fuel in question will be natural gas, achieving a reduction in SO2 and NOx emissions.

**Optimum water management**

Reducing water consumption was a basic objective of this project given the scarcity in the region and the social sensitivity with respect to its use. Therefore, we have reduced consumption in the process and we have maximised its recovery, thus achieving minimum use of water from outside. This is illustrated by a series of measures:

- High air cooling surface in cooling process current in order to reduce the size of the cooling tower, and thus the quantity of water evaporating in the tower.
- Maximum recovery of water from the waste water treatment plant, as is the case in the present refinery which serves as a benchmark in this aspect.
- Installation of a new osmosis recovery plant which is fed with rejected water from the two osmosis installations in the boiler supply water treatment. In normal designs this water, which has a very high saline content, would be discharged into the sea. With this new osmosis procedure we recover 70m3/h of water for its re-use in processes thus obviating the need for external consumption.

The effort to achieve a reduction in environmental impact of this new project will make the refinery a point of reference for environmental management.

**Recognition**

In 2008 we obtained maximum points in the the oil and gas sector in environmental policy and management in the selective global sustainability indexes, the Dow Jones World Sustainability Index, and the European Dow Jones Sustainability Index STOXX.
The importance of training

We promote and encourage training of all employees in line with their responsibilities and activities. In 2008 a total of 14,131 training hours were provided to 1,207 employees.

In 2008 we designed safety and environmental training schemes establishing for each of the company’s businesses, the minimum training, guiding the technical development of each professional so that they can acquire the necessary safety and environmental skills so that these will be adjusted to the level of competence required for carrying out their duties. Furthermore, we have created the two first editions of the advanced course in Safety and Environment designed for company employees.

For more information on training plans and the advanced safety and environment course see the chapter, “Our Commitment to safety”.

Collaborating with the surroundings

We encourage communication with the communities where we are actively working. We often receive visits at our work centres from schools, universities, local community organisations during which we place particular emphasis on environmental themes.

In February this year we set up an Advisory Public Panel in Puertollano (Spain) for the purpose of opening up a permanent vehicle for communication between the city and the industrial complex.

For further information see the chapter “Our commitment to safety”.

Environmental training

<table>
<thead>
<tr>
<th></th>
<th>Trained persons</th>
<th>Training hours</th>
<th>Rate of extension (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>414</td>
<td>2,776</td>
<td>2</td>
</tr>
<tr>
<td>Argentina</td>
<td>315</td>
<td>4,775</td>
<td>2</td>
</tr>
<tr>
<td>Rest of Latin America (3)</td>
<td>414</td>
<td>3,565</td>
<td>9</td>
</tr>
<tr>
<td>Rest of the world (4)</td>
<td>64</td>
<td>3,015</td>
<td>3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,207</td>
<td>14,131</td>
<td>3</td>
</tr>
</tbody>
</table>

(1) Data includes training of own permanent and temporary personnel. Contracted personnel is not included
(2) Rate of extension: Percentage of persons who have carried out training activities based on the maximum number of staff
(3) Bolivia, Brazil, Chile, Ecuador, Peru and Venezuela
(4) Libya, Portugal and Trinidad and Tobago.
The main types of environmental impact and measures for reducing it

Our priority from an environmental perspective, is to reduce the impact of our activities on the environment, focusing our action on reducing emissions into the atmosphere, optimising water consumption, reducing the amount of pollutants discharged into water, correct management of waste and improvements in prevent and correction of spills. We also continue our efforts to identify, assess and correct possible situations of past contamination. All this work uses the best practices available and technological innovation.

Environmental management

**AIR**
- Total emissions to air
- Measures to minimise impacts:
  - Energy efficiency and savings.
  - The use of cleaner fuels.
  - Improvement in industrial processes.
  - Adequate maintenance programs.
  - Reduce the emergency situations.
  - Reduction of flaring.
  - Reduction of fugitive emissions.
  - Monitoring and adequate planning of management costs.
  - Specific training programs.

**WATER**
- External captured water
- Measures to minimise impacts:
  - Consumption optimization.
  - Promotion of reusing treated water.
  - Reduce the emergency situations.
  - Segregation of currents to improve the treatment.
  - Monitoring and adequate planning of management costs.
  - Specific training programs.

**WAste**
- Management wastes
- Measures to minimise impacts:
  - Internal management improvement.
  - Implementation of waste reduction in all phases of the process.
  - Substitution of raw materials and additives.
  - Promotion of reusing and recycling.
  - Collaboration with waste management community programs.
  - Monitoring and adequate planning of management costs.
  - Specific training programs.

**SOIL**
- Hydrocarbons spill
- Measures to minimise impacts:
  - Adaptation of prevention and control procedures.
  - Systematic assessment of installations.
  - Application of the best remediation technical criteria.
  - Adequate treatment and final removal of wastes from the cleaning of contaminated locations.
  - Monitoring and adequate planning of management costs.
  - Specific training programs.
Reducing our emissions to the atmosphere

Our main emissions to the atmosphere resulting from the company activities are, in addition to greenhouse gases, SO2, NOx, volatile organic compounds (VOCs) and, to a lesser degree, CO and particles.

**Sulphur oxide emissions**
SO2 emissions come mainly from the sulphur contained in fuels used in our refineries’ combustion processes. In 2008 there was a 13% reduction in the emission rate per unit of crude oil processed in the refinery sector, an activity which accounted for almost 90% of the company’s total SO2 for 2007, mainly due to the fact that the SO2 value for Large Combustion Installations was obtained through direct means in the Tarragona refinery for compliance with the National Emission Reduction Plan.

**Nitrogen oxide emissions**
NOx is mainly produced in the refinery and exploration and production areas during combustion process, due to the nitrogen present in the atmosphere.

In 2008 the NOx emissions were reduced by 6% compared to 2007, due mainly to the stoppages motivated by union conflicts in the exploration and production activities in Chubut Cañadón Seco, in Argentina, and to a lesser degree to the programmed stoppage of the Puertollano refinery in Spain, with the resulting reduction in fuel consumed.

**Emissions of non methane volatile organic compounds (NMVOC)**
NMVOCs are mainly emitted in refining activities in crude oil and gas production operations, in storage terminals, in service stations when handling petrol and generally due to leaks.

In 2008 our NMVOCs dropped 1% respecting to those of previous year. Control of these emissions, due to their diffuse and sometimes discontinuous nature, is additionally complex. In 2008 we carried various activities:

- Programmes for registration, detection and elimination of leaks with the Leak Detection and Repair (LDAR) technologies in industrial centres. In 2008 we developed leak detection and elimination programmes in seven of the nine refineries in Spain, Argentina and Peru, and in five of the eight chemical plants in Spain, Portugal and Argentina. These programmes have been part of the companies targets since 2007.
- Other actions for reductions of VOCs in refineries and chemical industrial centres in Spain which include the reduction of emissions in storage and process tanks at the Tarragona refinery, the fitting of API covers at the A Coruña refinery, elimination of VOCs at the Styrene
Vapour recovery in petrol stations

Vapour recovery systems are designed to contribute to reducing VOC emissions which are produced during the loading and unloading of petrol. These systems have been denominated as phase I (recovery of vapours when discharging petrol from the tanker lorry to the petrol station deposit) and phase II vapour recovery when filling vehicle tanks with petrol.

In recent years we have installed phase I vapour recovery in our own network of petrol stations. In this way, we have managed to recover and control vapour emissions produced during the discharge of petrol from the tanker lorry to the service station fuel storage. The recovered vapour, most of which consists of VOCs, are transferred from the storage tank to the lorry.

As a result of our commitment to reducing atmospheric contamination, in 2006 we signed a voluntary agreement with the Business Association and the Environmental Council of the Community of Madrid as part of the Blue Plan set up for reduction of tropospheric ozone.

By means of this agreement we undertook to install phase II vapour recovery in our own network of service stations which exceed 2,000 m³ of annual petrol sales. This installation enables us to recover vapours when filling vehicle petrol tanks, when the vapours move and escape into the atmosphere. With the phase II vapour recovery we capture vapours through the filling hose and nozzle and they are transferred to a subterranean storage tank at the service station, or we return the gases directly to the petrol pump.

This latter technology, which is more innovative does not require any modification to the underground pipes of the service station.

During 2008, we concluded installation of the Phase II vapour recovery in 42 petrol stations.

Improving air quality in liquefied petroleum gas activity (LPG)

In the LPG market in Peru there are two types of valves which are used in containers, however there is no head available on the market adapted to both types of valve. This circumstance, apart from operating difficulties, led to product losses during the filling process with the corresponding effect on air quality.

As an environmental improvement to the containment process we developed a new head which would permit filling of tanks and containers with both types of valve which can be used indiscriminately, thus reducing leakage during the filling process.

We have successfully installed new heads in the Ventanilla and Arequipa plants, which has led to an average reduction of leaks amounting to 550 tonnes per annum. An implementation plan has been prepared for the rest of the country’s plants in 2009.

For further information see “Climate change and energy efficiency” chapter.
Improving water management

Water is a scarce commodity which is indispensable for life. For this reason we are committed to correct water management based on the principles of re-use and optimisation of consumption.

Externally captured water

Water consumption mainly occurs in refining and chemicals activities. During 2008, we have captured 118,815 kt of water, 5% less than in 2007. The reduction responds to the water consumption optimization programs, and at a lesser extent, to a change in the calculation system of the captured water in Puertollano,
where the calculation is done by balance of the gap between the reservoir and the evaporation of this. This reduction is due to the calculation change for estimating evaporation, through installation of a new weather station in the reservoir which measures evaporation values greater than those considered previously. EN8

The water captured in the company proceeds mainly from surface resources (58%) and the public network (35%), and to a lesser degree underground resources (7%). EN8, EN9

Our major use of external water take up is for refining activities in which the processes regularly make use of water for various purposes, such as for cooling, solvent, cleaning and steam production. We recover and recycle part of this water, some of it evaporates into the atmosphere via open cooling systems and part is released to the exterior following the requisite treatment procedures for adapting quality to the dumping requirements.

In 2008 external water capture in our refineries amounted to 73.9 million tons and we processed 55.6 million tonnes of crude oil. With the data indicated we calculate that the water footprint of 1.3 m³ water per tonne of crude oil processed, expressing the water footprint in accordance with the ratio of externally captured water to the raw material processed. We dump 43.5 millions of tonnes of appropriately treated water out of the 73.9 million tonnes of externally captured water, and therefore the net consumption of water was 30.4 million tonnes.

In addition to the refining activities, we also consume water to a lesser extent in our chemical activities, due mainly to product purification processes. In the case of exploration and production, extraction operations of crude oil and gas are frequently accompanied by production water which is injected once more into the deposits thus reducing the impact of dumping.

Recycled water

We encourage the recycling of water to reduce its consumption. Due to various actions undertaken throughout the company, in 2008 we managed to reuse 14% of the total water captured.

Water consumption optimisation programmes

In order to make best use of water in our processes, since 2007 we have set up annual programmes as part of our annual company targets.

In 2008 five refineries in Spain, the La Plata refinery in Argentina and the La Pampilla refinery in Peru developed such programmes. In addition programmes were implemented for best use of water in chemical plants of Polidux (Huesca), Tarragona and Santander, all three in Spain.

Below we provide further details of our water consumption optimisation plans, carried out in five industrial refinery complexes in Spain during 2008.

Throughout 2008 the Operations Improvement Group continued to grow, developing optimisation programmes for water consumption in the Spanish refineries. Some of the main achievements included:

- Recovery of plant condensates
- Improvements to the control of cooling towers.
- Increased cycle in the demineralisation chain.
- Improvements to the control tertiary treatment.
- Recovery and reuse of process water for the fire prevention system.

Furthermore, we have established action plans for 2009, centring on water recycling, increased consumption of recovered water and improved awareness with respect to conscientious use of fresh water.

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DISTRIBUTION OF TOTAL WATER CAPTURED BY ACTIVITY

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refining</td>
<td>62%</td>
</tr>
<tr>
<td>Exploration &amp; Production</td>
<td>13%</td>
</tr>
<tr>
<td>Marketing</td>
<td>3%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>22%</td>
</tr>
</tbody>
</table>

EVOLUTION OF EXTERNAL CAPTURED WATER

<table>
<thead>
<tr>
<th>Year</th>
<th>Million tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>150</td>
</tr>
<tr>
<td>2005</td>
<td>125</td>
</tr>
<tr>
<td>2006</td>
<td>100</td>
</tr>
<tr>
<td>2007</td>
<td>75</td>
</tr>
<tr>
<td>2008</td>
<td>50</td>
</tr>
</tbody>
</table>

EVOLUTION OF PERCENTAGE OF REUSED WATER

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>14</td>
</tr>
<tr>
<td>2005</td>
<td>12</td>
</tr>
<tr>
<td>2006</td>
<td>10</td>
</tr>
<tr>
<td>2007</td>
<td>8</td>
</tr>
<tr>
<td>2008</td>
<td>6</td>
</tr>
</tbody>
</table>
Quality of discharges

Our main focus in effluent management is based on providing efficient control systems which will enable an adequate characterisation of waste, by ensuring we have technologically advanced installations able to treat such waste and to develop specific activities for its reduction.
The main pollutants discharged in our installations are: hydrocarbons, solids in suspension and chemical oxygen demand (COD).

We have reduced hydrocarbons by 7% in comparison with 2007, mainly due to improvements in the operation of the water treatment plants at the Tarragona refinery, and as a result of changes in our sampling and analysis methods in the Spanish service station network.

The COD was 12% less than in 2007 due mainly to less production in the acrylonitrile and methyl methacrylate plants at the Tarragona chemical plant.

Programme for improving effluent quality

In 2008 we made specific improvements to various areas of the company with a view to improving our effluent quality:

- Remodelling of the rain water network and construction of containment and lamination ruffs which prevent uncontrolled spillage following torrential rain in the Puertollano refinery in Spain.
- Improvements to the waste water treatment plant and conditioning of the effluent treatment installation at the Petronor refinery in Spain.
- Improvements to treatment facilities in various LPG installations in Argentina and Portugal, and in water treatment systems from container washing and painting in Peru.

Furthermore, from the technological perspective, we have designed new systems which will enable us to improve the quality of waste resulting from chemical activity:

- Recovery of a potassium adipate waste current which has ensured that it complies with the conditions for sale as a fertiliser, obtaining benefit from a current which, up to now had been sent to the waste water treatment plant.
- Reduction of the contaminating charge of the acid purging of propylene oxide styrene at the Tarragona and Puertollano plants in Spain.
- Preparation and set up of a propylene oxide styrene waste water treatment plant in order to improve the biological system in Tarragona, Spain.
- Repair of the aeration system of the biological reactor of the waste water treatment plant the propylene oxid styrene complex for which a multidisciplinary working group has been created with the active participation of personnel from the Technology Centre. In that sense, a procedure was devised for the set up of the unit following repair, which contributes to reducing both the time and risks associated with the set up of a biological system of this breadth and scope.
Adequate waste management

We strive to minimize waste generation and its correct management through all life cycle of our activities. Improvements in waste management include a number of activities from generation to final treatment.

Wastes are mainly generated in the activities of exploration and production, refining and chemicals. The main waste generated includes sludge from clearing the bottom of tanks, drilling sludge and hydrocarbon contaminated soil. In 2008, the amount of waste generated was 19% less than in 2007.

This reduction was mainly due to the fact that in 2007 we completed the processing of extraordinary waste from the clearing of a former waste deposit at the Puertollano chemical plant in Spain and also to less drilling activity in exploration and production in Peru, Chubut Cañadón Seco in Argentina, and Barrancas in Venezuela.

We strive since years ago to maximize the reuse and recycle of waste generated in our installations. With respect to waste management, 66% of hazardous waste and 22% of non hazardous waste managed in 2008 was destined for reuse, recovery and recycling.
Hazardous waste management

- Internal recovery/recycling: 34%
- Internal re-use: 5%
- Internal elimination: 7%
- External recovery/recycling: 51%
- External re-use: 1%
- External elimination: 3%

Non hazardous waste management

- Internal recovery/recycling: 19%
- Internal re-use: 13%
- Internal elimination: 0.5%
- External recovery/recycling: 37%
- External re-use: 1.5%
- External elimination: 42%

Evolution of hazardous and non hazardous waste

<table>
<thead>
<tr>
<th>Tonnes</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazardous</td>
<td>750k</td>
<td>600k</td>
<td>450k</td>
<td>300k</td>
</tr>
<tr>
<td>Non hazardous</td>
<td>150k</td>
<td>150k</td>
<td>300k</td>
<td>600k</td>
</tr>
</tbody>
</table>

Reduction of waste generated by Lubricants and Specialities in Spain

The organisation unit for Lubricants and Specialities, within the framework of Marketing Europe, undertakes the development, manufacture and marketing of oil-derived lubricants, asphalts and specialities.

At the present date, this unit is carrying out a series of projects which respect the environment and which are characterised in their goal for greater efficiency by the involvement and dedication of all those who make up the flow chain of these products. These projects are:

- Development of ecological containers for lubricants, which will replace the single layer containers made with virgin polyethylene with three layer containers which contain an intermediate layer of recycled and recovered product, which amounts to 60% of the total weight of the container.
- Recovery Service of Industrial Containers less than 200 litres.
- Integrated Management System of bulk containers (IBC) and pallets known as inverse logistics.

**Inverse logistics: Integrated Management System of bulk containers (IBC) and pallets**

The purpose of this project is to improve the flow control of the products that we use and place on the market through recovery and reuse.

During the first phase of the project, we define and design and award a bid to the IBC supplier, appoint the managers who will recover the IBC and the pallets and the installation of a pelleting plant (agglomerate of the finely ground product) for the high density polyethylene (HDPE) by the waste manager.

During the second phase of the project we are carrying out the integration of inverse logistics through specialisation of the IBC and pallet managers.

Reduction of waste generated by Lubricants and Specialities in Spain

<table>
<thead>
<tr>
<th>% Savings/ % Reduction</th>
<th>Savings (euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>350</td>
</tr>
<tr>
<td>45</td>
<td>300</td>
</tr>
<tr>
<td>30</td>
<td>250</td>
</tr>
<tr>
<td>15</td>
<td>200</td>
</tr>
<tr>
<td>13.7%</td>
<td>150</td>
</tr>
<tr>
<td>18%</td>
<td>150</td>
</tr>
<tr>
<td>20%</td>
<td>100</td>
</tr>
<tr>
<td>25%</td>
<td>50</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

In this respect all the IBCs are provided with adhesive labels which characterise them and contain what is termed a “recovery letter”. On a monthly basis, we obtain detailed information on who has received the IBCs and the pallets which, when they have been used, are sent to the manager.

The manager contacts the recipients, follows up the materials and proceeds to remove, classify and group them. The IBCs and pallets are subsequently treated and, having been recovered, are sent back to the company installations.

During 2008, we have managed to reduce the purchase of IBC containers and pallets by almost 14% and 18% respectively, with considerable savings for the company. Furthermore, we hope that in 2009 the results obtained during the past year will be maintained or even bettered.

Recycling of organic waste through worm culture in exploration and production fields in Bolivia

In 2008 we took on the challenge of implementing an organic waste recycling pilot Project generated in the dining rooms and kitchens of the Víbora, Sirani and Yapacaní fields.

The Project known as “Recycling of organic waste using the vermiculture technique” makes use of earthworms to degrade the organic waste, generating a fertiliser which is rich in nutrients and can be applied to all types of crops.
We prevent and reduce soil contamination

Our efforts in this area are based on the adoption of more advanced techniques for the prevention and remediation of contamination, management of accidental spills, maintenance of the installations and optimisation of logistic activities.

The most significant spills in the oil and gas industry are those occurred in the exploration and production activities. For years, we are implementing different measures, mainly focused on improving the oil pipes in the exploration and production fields and in other measures set up for detection, communication and immediate action in the event of spills.

In 2008 there was a significant increase in the amount of oil spills compared to last year not due to company activities but labour strikes in May in Las Heras and Chubut Cañadón Seco, Santa Cruz, Argentina and this led to 160 hydrocarbon spills, with a total spilled volume of approximately 2,400 tonnes and 36,000 m² surface area affected. Clean up was immediate, removing and transporting the contaminated soil to depositories approved by the competent authorities for biological treatment. Periodically the soils which had achieved an adequate level of remediation, according to the provincial authorities, were deposited in other zones, mainly in roads and quarries.

Without taking into account said spills, in 2008 there were 1,085 spills with a total of 776 tonnes of hydrocarbons affecting the land. This has led to a 16% reduction in the amount spilled with respect to 2007.

Furthermore, there were other, less significant spills, during 2008:
- Exploration and production Block 16, Ecuador: in January there was a 76.8 tonne crude oil spill due to corrosion in the pipeline which affected an area of 7.9 Ha. Both the National Office of Environmental
Composting of contaminated soils in the exploration and production activity Mendoza, Argentina

Since 2005, the area of environmental technologies at the Applied Technology Centre, with the support of the Economic Unit Mendoza, Malargüe Area, has been carrying out an R+D project, the purpose of which is to develop composting technique as an alternative for remediation of hydrocarbon contaminated soils and implementing its application in the field.

Composting is a recovery technique which consists of incorporating organic material and regularly aerating it in order to contribute to biodegradation of the contaminant through microbial activity. In order to obtain a low cost methodology which is easily implemented, goat dung was used as an organic addition (this resource is freely available in the area due to local farming activity).

The Project consists of three pilots in the field with differing scales from which we selected the best process variables and the best soil conditions:

- Phase I: this was carried out in 2006 at the Pampa Palauco deposit where we set up six treatment units each with 12 m³ of land. During this phase we tested various compositions of mixtures of soil, guano, sawdust and sulphur. This was aerated by incorporating air with a blower.
- Phase II: In 2007 we continued the Project with a greater volume in order to detect any possible technical and operational difficulties. This pilot scheme was sited in an abandoned location in the Los Cavaos deposit. We then defined a treatment volume of 200 m³. In this phase we tested two aeration systems: mechanical (with blower) and turning (with mechanical shovel) and mixing the soil: guano was established at a ratio of 90:10 without any other aggregate.
- Phase III: The final stage of the Project is now underway, with this technique being applied to a volume of contaminated soil of 1,000 m³.

From the results obtained in the two first phases, we may conclude that the technique is a successful one, as we were able to reduce the hydrocarbon content from 3% to 1% in approximately four months.

Replanting the abandoned areas using the soils resulting from the composting Project.

In April 2007 we launched a Project for replanting abandoned areas establishing native species on soils resulting from the first stage of the composting for oil drenched soils. As part of the project we tested the response of three native species Grindelia sp, Senecio sp and Atriplex sp with respect to above ground growth (height and diameter) and their survival rate.

The results of the planning, above ground growth and the rate of survival obtained were successful in the three species studied. We planted 600 plants, almost 90% of which survived the year. We were also able to demonstrate that the soils affected by spills from biological recovery using composting techniques are totally appropriate for use in replanting disused areas.

Protection against Hydrocarbons and the National Hydrocarbons Office were promptly notified of the incident. Since then, we have taken measures to clear the contaminated material and ensure remediation of the areas affected, in order to re-establish the conditions existing prior to the spill. The remediation plan presented to the control bodies, which consists of recovering and cleaning, biological treatment and replanting of the affected soils, is being carried out within the established time frame.

- Tarragona Refinery, Spain: during the month of May there was a 67.5 tonne gasoline spill in a beach tank which led to contamination of the soil although less in this case as it is a volatile product. The contaminated soils resulting from the spill were initially transferred to a temporary waste storage venue and subsequently recycled as a sub product in a cement works.

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tonnes</td>
<td>2,000</td>
<td>1,500</td>
<td>1,000</td>
<td>500</td>
</tr>
</tbody>
</table>

EVOLUTION OF THE NUMBER OF HYDROCARBONS SPILLS

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tonnes</td>
<td>3,000</td>
<td>2,500</td>
<td>2,000</td>
<td>1,500</td>
</tr>
</tbody>
</table>

EVOLUTION OF SPILLED HYDROCARBONS

(1) Only spills affecting the land higher than one barrel are considered.
(2) In 2008 spills due to external actions in exploration and production activities in Argentina are shown, representing 122 spills with 2,397 tonnes of spilled hydrocarbons.
From a preventive perspective a significant event in 2008 in the direct management network of petrol stations in Spain was the pilot project for an early warning system for leaks from buried tanks and pipelines in over 30 service stations in Spain, known as Statistical Inventory Reconciliation (SIR) and certified by the US Environmental Agency (EPA).

We propose to extend this in coming months to the rest of the management network as a tool for improving prevention of soil damage and underground waters produced by fuel spills.

We counted on an environmental engineering unit

We have an environmental engineering unit designed to provide business units with specialised advice in preventing and correcting soil contamination.

In this respect in 2008 we carried out active remediation in 146 sites in Spain in 140 service stations and six diesel distribution bases. These active remediation procedures basically use techniques in situ (without excavation): emptying, pumping, air sparging and bioremediation, and in some cases generally coinciding with remodelling or abandonment, with techniques ex situ: excavation and adequate management of soils and product.

Technological innovation for the remediation of contaminated soils

In terms of technological innovation, in the area of environmental technologies, we have developed a method for identifying soils affected by hydrocarbons using radon 222 (inert gas with natural origin). This non-intrusive technique permits detection of hydrocarbons in the non saturated soil area.

The advantage of this system is that it does not affect the surroundings, it is rapid and simple to apply as well as being cheap.

Furthermore, we are working to develop the most innovative technologies for decontaminating soils and underground waters by different external agents, such as chemical oxidation in situ.

Development of technological innovations: chemical oxidation in-situ

Decontamination of soils and underground waters using current technologies requires expensive long term corrective actions and therefore the application of alternative technologies is being investigated in order to increase efficiency, in terms of time frames and costs for remediation of different sites.

In this respect oxidation techniques are being developed “in situ” using different oxidising agents. Of all the substances used for practical application of this technology, the most promising is hydrogen peroxide which, together with an iron catalyst comprises the Fenton reagent.

In 2005 we set up a research project structured in three well defined stages, for treatment of soils and water courses contaminated by light hydrocarbons with special emphasis on the elimination of oxygenated compounds (MTBE and ETBE):

• Phase I: initial analysis of the project. This phase which was carried out in 2005, led to
acquisition of a good general knowledge of the most salient aspects of this technique and its basic conditions of application (necessary dose, speed of reaction and stability of the reagent, the means of control and monitoring of the decontamination process, use of additives, among others).

- Phase II: laboratory research. During this phase various tests were carried out in order to understand the real way the Fenton reagent works and the remediation processes of organic components.

- Phase III: Research in the field. The experimental site a complementary investigation was carried out on the site consisting of drilling eight test wells; taking of simples of waters and soils and sending them to the laboratory for characterisation of both the contaminant load and the geochemistry of the subsoil; and three pumping tests were carried out for the purposes of hydrogeological characterisation and, with repetition of a test subsequent to the treatments, in order to observe potential loss of permeability of the sub soil due to the treatment.

Furthermore, we carried out the corresponding traceability tests in the laboratory, where we checked the effectiveness of the method for a site with the characteristics of that selected and we defined the initial dose of catalyser to be injected. Finally we divided the site into three separate areas and proceeded to carry out the planned experiment. The results obtained in this third stage endorsed the work carried out in previous stages and thus an appropriate course of action could be devised.

Furthermore as we acquired further knowledge we decided to cover objectives which were not initially planned, including the use of modified Fenton and the application of the method on free supernatant products.

Thus in 2008 we initiated a new phase of work the purpose of which is to verify the applicability of the treatment on a small layer of supernatant product and the study for improving additives to be injected.

**Integrity of injectors and drain wells**

In order to prevent contamination of water courses during exploration and production activity, it is necessary to ensure the integrity of injection wells and sink which will be used as a final placement for formation water and for the use of production water in secondary recovery purposes respectively.

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**Repair of injection wells in exploration and production activity in Southern Argentina**

In 2008 we implemented the Integral Injection Repair Plan Project (IRPP) in Argentina which will guarantee the integrity of the productive installations operated within the concession areas available to us. The project initiated during the second half of 2007 was principally designed to improve the conditions of the subsoil installations which will enable us to ensure the continuity of operations when they exceed the original estimated life span. In this way, we have managed to safeguard mechanisms of technical integrity as well as compliance with current environmental norms.

Some of the most important challenges which arose during execution of the Project were as follows:

- Logistic coordination for repair tasks involving different technical sectors, as well as those tasks involving responsibilities for communicating with the surroundings.
- Optimisation of work programmes for the Work-Over team.
- The technical complexity of carrying out repair and conditioning tests.
- Permanent relation with the environmental authority in order to standardise technical criteria.

In order to fulfil targets we used various strategies including the following:

- Strengthening of confidence in relations with the environmental authority in terms of transparency of management and information, as well as the results obtained.
- Technical preparation of company personnel able to propose technical alternatives which are economically viable in order to ensure the success of the project.
- Studies and comparisons between distant risk areas, in order to prioritise those areas with greater chance of success resulting from the repairs.

Reduction of risk of environmental impact was a permanent focus of the work within the implications of the Project. For this reason, we have compiled evaluation and hydrogeological environmental diagnosis of the secondary recovery projects.

Said studies resulted in development of maps of environmental risk in order to protect water courses which might be present in the exploitation zones.
Analysis of environmental risks

Improvements in identifying, assessing and managing environmental risk is a key factor in preventing environmental impact throughout the company.

For some years we have worked consistently to develop quantitative methods of environmental risk assessment of operations, as a tool for improved evaluation and prevention of such risks.

In 2003 and coinciding with the issue of Directive 2004/35/EC on environmental responsibility, we made an environmental risk calculation in order to facilitate management of this aspect in its Petrol Station network in Spain. This algorithm, which included significant factors which could influence both the probability and the consequences of an environmental incident, served as a basis and a precursor for the current Environmental Risk Assessment index (ERA) which, since 2007, has acted as a reference standard for the main operators in the sector in Spain.

As the new environmental responsibility regime was established with the approval of European Directive 2004/35/ and its transposition to Spanish legislation through the Law 26/2007, the new methodological developments have been gradually used in Repsol YPF until algorithms were available to evaluate the risks of an important part of its activities in Spain. The application of
Analysis of environmental risks in distribution bases of Repsol Directo in Spain

The distribution bases supply diesel to clients using tanker lorries. The installations mainly consist of fuel storage tanks and transfer equipment for loading and unloading tanks. Carrying out an analysis of environmental risks in these installations was addressed by a multidisciplinary team comprising personnel from Repsol Direct, Environmental Engineering and an external consultant.

In an initial phase, we selected six centres on which we compiled exhaustive information relating to the installations, operation, physical medium and possible environmental receptors, in addition to the background and history of accidents and incidents for this type of installation. All this information was included in a conceptual risk model.

In these models the parts of the installation which could release diesel into the environment are listed and defined, along with their route and possible environmental receptors affected.

Based on the experience and analysis of the information, we have selected the most significant facts, or indicative events, which could lead to accident or incident with environmental repercussions: surface spills, leaks from underground tanks into the subsoil and spillage of waste water. Based on these initial events we have hypothesized accident scenarios, or a chain of events which may place the released diesel in contact with various potential receptors. It is also necessary to calculate the probabilities of each of the scenarios proposed. In order to assign the probabilities, accident and fault trees were used.

In addition, it is necessary to ascertain whether or not the damage caused to a specific receptor within a scenario is significant. For this purpose diffusion models are used which simulate diesel or oil and gas concentrations, which reach a specific receptor and compare the generic reference levels which ensure that they have no effect. In the event that the calculated concentration does not exceed this level, it is ensured that the damage is not significant.

Finally, in order to evaluate the consequences, or potential damages, these diffusion models for determining the intensity and extension of the damage in biophysical units (m³ of water, examples of affected species etc) as well as determining the temporary scale of the damage based on the performance of gas and oil in various mediums.

Subsequently we made a financial or monetary analysis of these damages so as to use the experience in remediation work or to be used in the specialised bibliography.

The environmental risk would be the product of the probability by the monetised value of the potential damages for a specific scenario, and the total risk of an installation would be the sum of the risks of all the scenarios considered.

Finally, these studies carried out will not only serve to comply with current regulations (risk values will be used to calculate the financial guarantee required according to the terms of the Law on Environmental Responsibility 26/2007 and Royal Decree 2090/2008). They will also serve to improve our environmental risk management, as they will help to adopt mitigating measures which will affect causes or danger which contribute most to risk levels, either in installations or in their operation, or in avoidance measures which minimise the consequences in the event that an unfortunate accident or incident should occur.
As a general rule, for subsidiary companies in which we have a major holding and/or responsibility for operation (control) we account for 100% of the emissions to different media.

For registration, analysis, monitoring and consolidation of environmental information, a computer tool was provided to which all the company centres have access through intranet which permits loading and validation of environmental indicators.

For this purpose we followed a methodology common to all the business lines which is contained in the company’s Environmental Parameters Guide and which is based on internationally recognised documents and guides which are used in the sector, developed by AAE (European Environmental Agency), OGP (International Association of Oil and Gas Producers) and ARPEL (Regional Association of Oil and Natural Gas Companies in Latin America and the Caribbean).

### Our data

#### Air emissions (tonnes)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO2</td>
<td>109,222</td>
<td>102,292</td>
<td>101,571</td>
<td>102,003</td>
<td>89,872</td>
</tr>
<tr>
<td>NOx</td>
<td>92,457</td>
<td>85,052</td>
<td>87,799</td>
<td>95,823</td>
<td>89,785</td>
</tr>
<tr>
<td>NMVOC</td>
<td>58,090</td>
<td>44,937</td>
<td>39,045</td>
<td>42,375</td>
<td>41,328</td>
</tr>
<tr>
<td>CO</td>
<td>22,625</td>
<td>24,170</td>
<td>25,259</td>
<td>25,726</td>
<td>23,442</td>
</tr>
<tr>
<td>Particles</td>
<td>9,288</td>
<td>10,068</td>
<td>10,767</td>
<td>9,986</td>
<td>9,254</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>291,682</strong></td>
<td><strong>266,520</strong></td>
<td><strong>264,441</strong></td>
<td><strong>275,913</strong></td>
<td><strong>253,681</strong></td>
</tr>
</tbody>
</table>

#### Water management (kilotonnes)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Captured externally</td>
<td>129,170</td>
<td>124,829</td>
<td>124,320</td>
<td>125,167</td>
<td>118,815</td>
</tr>
<tr>
<td>Other sources</td>
<td>1,840</td>
<td>554</td>
<td>148</td>
<td>147</td>
<td>91</td>
</tr>
<tr>
<td><strong>Total amount captured</strong></td>
<td><strong>131,010</strong></td>
<td><strong>125,384</strong></td>
<td><strong>124,468</strong></td>
<td><strong>125,314</strong></td>
<td><strong>118,906</strong></td>
</tr>
<tr>
<td>Water discharged</td>
<td>54,136</td>
<td>51,173</td>
<td>52,109</td>
<td>58,972</td>
<td>63,606</td>
</tr>
<tr>
<td>Re-used</td>
<td>20,433</td>
<td>20,818</td>
<td>22,073</td>
<td>20,915</td>
<td>19,571</td>
</tr>
<tr>
<td>Produced</td>
<td>157,652</td>
<td>163,314</td>
<td>183,159</td>
<td>191,589</td>
<td>189,365</td>
</tr>
<tr>
<td><strong>Injected</strong></td>
<td><strong>179,461</strong></td>
<td><strong>178,973</strong></td>
<td><strong>192,775</strong></td>
<td><strong>196,413</strong></td>
<td><strong>193,580</strong></td>
</tr>
</tbody>
</table>

#### Discharges (tonnes) (1)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydrocarbons</td>
<td>169</td>
<td>149</td>
<td>108</td>
<td>116</td>
<td>106</td>
</tr>
<tr>
<td>Solids in suspension</td>
<td>1,543</td>
<td>1,479</td>
<td>1,865</td>
<td>1,507</td>
<td>1,519</td>
</tr>
<tr>
<td>COD</td>
<td>7,733</td>
<td>7,847</td>
<td>6,133</td>
<td>5,869</td>
<td>5,156</td>
</tr>
</tbody>
</table>

#### Waste management (tonnes) (2)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazardous waste (including oily soils)</td>
<td>–</td>
<td>204,796</td>
<td>496,128</td>
<td>498,236</td>
<td>381,813</td>
</tr>
<tr>
<td>Non hazardous waste</td>
<td>–</td>
<td>148,528</td>
<td>198,038</td>
<td>202,833</td>
<td>188,068</td>
</tr>
</tbody>
</table>

#### Spills (3)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of hydrocarbon spills affecting the land</td>
<td>–</td>
<td>1,321</td>
<td>1,604</td>
<td>1,228</td>
<td>1,085</td>
</tr>
<tr>
<td>Hydrocarbon spilt affecting the land (tonnes)</td>
<td>–</td>
<td>1,829</td>
<td>1,490</td>
<td>919</td>
<td>776</td>
</tr>
</tbody>
</table>

#### Investments and environmental costs (millions of euros)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in Environment (without including environmental quality of products)</td>
<td>101</td>
<td>127</td>
<td>116</td>
<td>152</td>
<td>207</td>
</tr>
<tr>
<td>Investments in Environmental quality of products</td>
<td>230</td>
<td>186</td>
<td>64</td>
<td>43</td>
<td>56</td>
</tr>
<tr>
<td>Environmental costs</td>
<td>83</td>
<td>153</td>
<td>180</td>
<td>126</td>
<td>145</td>
</tr>
</tbody>
</table>

1. The information on discharges for 2007 and 2008 does not include data for Trinidad and Tobago where plans continue to be devised for improving performance of the water treatment plants. Dumping in Trinidad Tobago in 2008 amounted to 81 tonnes of hydrocarbons, 237 tonnes of solids in suspension and 932 tonnes of COD.
2. Since 2005 information has been provided on managed waste rather than waste produced in order to ensure a homogenous report throughout the company.
3. The data for 2008 does not include spills due to external causes unrelated to the company. For more information consult the section “We prevent and reduce soil contamination”.
Biodiversity, a treasure that we must take care of

The overall increase in demand for energy means that the search and extraction activities of the energy resources are carried out in increasingly remote and sensitive zones.

Oil companies need to be aware of their role in preserving the planet’s biological wealth. It is therefore fundamental that their strategies include biodiversity as a basic aspect of operation management.

In this respect in recent years we have undergone a process of reflection on strategic implications and management relating to biodiversity in order to find better solutions which represent the necessary balance between best conservation practices and the company’s business success.

Approval in 2005, by the Executive Committee, of Repsol YPF’s position on biodiversity, recognised the protection of biodiversity as a key element for configuring the strategy, and it fixed the vern the company’s activity in this area. biodiversity was considered in the new mental Policy approved in July 2006. Fi- body was approved in which criteria and basic guidelines were established for action in biodiversity issues common to all the company’s operations.
## Our objectives

<table>
<thead>
<tr>
<th>Planned activities</th>
<th>Level of progress 2008</th>
<th>2009 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrate biodiversity in management systems and in company decision making processes.</td>
<td>Approval of a new regulatory body where management principles and basic guidelines are established for action in biodiversity issues for all company operations.</td>
<td>Actions for rolling out the regulations in all businesses.</td>
</tr>
<tr>
<td>Developing Biodiversity Action plans (BAP) in areas with category I-IV in accordance with IUCN(^1) and other areas considered with high ecological value.</td>
<td>Continuation of BAPs developed in block 39 in Peru and in the off-shore activities in Trinidad and Tobago.</td>
<td>Continuation of BAP planning and development.</td>
</tr>
<tr>
<td>Improve identification of company operations in sensitive areas.</td>
<td>Implementation of different actions in order to improve identification, prevention and reduction of impact on biodiversity in various company activities. Technical definition of the Biodiversity Information System project (SIBRY) in order to combine information on protected areas (WDPA(^2)) with data from company installations.</td>
<td>Continue to implement different actions in order to improve identification, prevention and reduction of impact on biodiversity in various company activities.</td>
</tr>
</tbody>
</table>

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\(^1\) IUCN: International Union for Conservation of Nature

\(^2\) WDPA: World Data Base on Protected Areas, developed by UNEP-WCMC (United Nations Environment Programme – World Conservation Monitoring Centre)
We have approved new regulations for biodiversity management

In 2008 we approved a new set of regulations establishing the principles of management and basic guidelines for action in biodiversity actions common to all company operations.

Said regulations include the requirement to determine the sensitivity of the area of influence of operations and to value Project by Project, whether to take action or not in the case of sensitive areas. The decision will be made on the basis of specific criteria such as the sensitive nature of the area, the breadth and scope of any possible impact on biodiversity or the level of mitigation of same and in the case of areas of maximum sensitivity (IUCN zones I, nucleus zones of biosphere reserves and World Heritage Sites) responsibility for authorising or rejecting the operation corresponds to the most senior level of the company, the Board of Directors.

Additionally, the regulations establish general standards for action in biodiversity issues for all operations and more demanding standards in the case of operations carried out in sensitive areas, which includes the undertaking to begin the design and implementation of Biodiversity Action Plans (BAPs) in areas accorded I-IV category by the IUCN and other zones which are considered to be extremely valuable ecologically.

**Elements of the biodiversity management regulation**

- Definition of the area of influence
- Determination of the Sensitivity of the area
- Identification of biodiversity impacts
- Management of impact on biodiversity
- ESIA with biodiversity criteria
- Characterisation of biodiversity
- Biodiversity Action Plans (BAP)
- Positive biodiversity actions
- Training
- Information and reporting

**Criteria for action according to the sensitivity of the area**

- **IUCN I ZONES**
  - Core areas, biosphere reserves
  - World heritage
- **IUCN I-IV ZONES**
  - Zones with high ecological value
- **Remaining zones**

**IUCN I ZONES**
Core areas, biosphere reserves
World heritage

**IUCN I-IV ZONES**
Zones with high ecological value

**Remaining zones**

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**ANALYSIS GO, NO-GO**

**Identification and management of impact on biodiversity**

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INTERNAL OPINION

Robert Wilson

The importance of biodiversity

The oil and gas industry is facing increasing pressure from investors, customers, shareholders, NGOs and society general to make public its performance in environmental and social terms, with biodiversity featuring as a key interest. This situation is partially due to a greater concern with the loss of species at a global level, but also due to the fact that companies are working in increasingly remote areas which are environmentally highly sensitive zones.

Companies like Repsol YPF within the scope of its activities are required to take a leading role in seeking innovative solutions that will contribute to conservation. These solutions should go beyond the traditional solution of focusing on the reduction of impact and should instead attempt to make a positive contribution to the conservation and improvement of the biological wealth of those areas in which we operate. Therefore, it is crucial that we work in close collaboration with governments, local communities and expert conservation bodies.

In line with this commitment to the environment, we have made considerable progress in the area of biodiversity in 2008. Some of the projects in progress, as in the case of the Biodiversity Action Plan (BAP) of Block 39 (Peru) have applied innovative elements at an industrial level. The excellent results obtained have been presented in international forums, such as the IUCN World Conservation conference. 2008 was also a year for launching new projects such as the BAP which was set up this year, in 2009 in Ecuador. There are also further initiatives which it is hoped we will put into action in 2009 within the framework of our operations in marine areas, and which will add to the already existing BAP in Trinidad and Tobago.

In addition, important progress has been made in achieving a more effective integration of aspects of biodiversity in the way we tackle our projects. In this respect new compulsory requirements have been defined which incorporate biodiversity protection in all our activities. Furthermore, access to increasingly comprehensive databases on protected and sensitive areas is enabling us make an exhaustive analysis of biodiversity aspects during the initial evaluation of investments.

Defining indicators which help to understand and manage the interaction between our projects and biodiversity is a complex issue which we are currently working on. The results and improvements of 2008 reinforce the need to continue to integrate all aspects of biodiversity during project life cycles, and the importance of consulting all stakeholders from the earliest stages, and this is particularly relevant in sensitive areas. In short, it has been a positive year for biodiversity management, which clearly illustrates the firm commitment of all to the challenge of conserving our natural heritage.
The importance of natural ecosystems to human well-being have been brought to light in recent years through processes such as the Millennium Ecosystem Assessment, highlighting the degradation and unsustainable use of nature’s services that both people and businesses rely on, such as: fresh water, biodiversity, food and climate.

In response to this crisis, the international community has made commitments to reduce the rate of loss of biodiversity by 2010, and biodiversity concerns have been integrated into the UN Millennium Development Goals. Most businesses have a range of direct and indirect impacts on biodiversity and ecosystem services, as they either rely on natural resources or can change these services through their activities. However, many companies from the extractive and agriculture sectors have been part of a leading movement to evaluate and reduce their environmental footprint, creating new standards for business behaviour in the process. For the extractive sector, the business case for sound biodiversity and ecosystem service management is well developed and recognized:

• Improved access to land and relationship with stakeholders
• Significant mitigation of regulatory, reputation and financial risks.
• Help with both compliance and the delivery of projects on budget and on time.
• Provide a ‘licence to operate’ and ‘preferred developer status’ in competitive situations such as tenders.
• Third party funding increasingly depends on biodiversity and ecosystem services awareness and effective management at operational levels.

Sound ecosystem service and biodiversity management are in fact now crucial to evaluating a companies’ sustainability performance with companies increasingly being expected to demonstrate “no net loss” of biodiversity or even a net positive contribution, which means guaranteeing full mitigation of their impact on biodiversity and ecosystem services.

To address the complex management of such issues in a constrained economic climate, it is paramount that industry has access to good quality environmental information to support their risk assessment processes, avoiding unnecessary project expenses and meet their sustainability and corporate responsibility commitments.

In a world of dwindling natural resources and rapid population growth, transforming these challenges into opportunities and promoting growth while meeting the Millennium Development Goals, organisations need to collaborate and have access to the best quality biodiversity data for well informed decision-making and sustainable growth.
Actions for preventing and reducing impact on biodiversity

Our priority is to prevent and reduce the impact of our activities, bearing in mind the specific characteristics of the surroundings of the installations for the purpose of conserving and, if appropriate, recovering the natural medium.

We are developing exploration and production activities in diverse areas which are considered sensitive from the biodiversity perspective. Below we include the list of deposits in which we are operating, situated in areas with Category I to IV according to the International Union for Conservation of Nature (IUCN).

In all the operations carried out in IUCN zones I to IV we made baseline environmental studies and took measures to protect biodiversity. It is important to point out that we customarily consider specific requirements for protection of biodiversity in all the Environmental and Social Impact Assessments (ESIA) that we carry out in accordance with our ESIA Guide for Exploration and Production activities.

Other projects promoting the advancement of identification of impact on biodiversity and manage impact as:

**Definition of the biodiversity baseline in all the chemical industrial centres in Spain**

In 2008 we defined the environmental baseline of five existing industrial centres of the Chemicals business unit in Spain, including information on biodiversity at the level of habitats and species. This Project is oriented among other things, towards determining the state of conservation of natural resources in centres and their surroundings and to identify the services provided.

The process followed, based on bibliography review and checks made in the field, has enabled us to identify and describe natural resources, environmental services and sensitive areas within the zone of influence defined for each of the centres. For this purpose it was necessary to process and analyse environmental information in respect of 110,000 hectares distributed over
Identification of existing habitats in 2008 within the area of influence provides knowledge of the real state of the surrounding area, as well as defining basic environmental, supply, cultural and regulatory services provided by associated ecosystems.

Identification of sensitive areas in Logistics activities in Argentina

This project was carried out by a multidisciplinary team of professionals of the faculty of Natural Sciences and the Museum of National University of La Plata and employees of Repsol YPF.

For this purpose, we defined a work area relating to the main installations of the company in the central area of the country. The study area includes the central region of Argentina. This area includes important pipelines which pass through natural regions. In particular, and for the purposes of developing the inventory, we consider, a priori, a fringe of 100 km at both sides of each pipeline and complementary installations (pumping stations, logistic terminal and ports) which will make up the study area.

This area includes eight different eco regions which include: plains and table land scrub, Patagonian steppe, brushwood and pampas and to a lesser extent, Patagonian forests, High Andes, Chaco Seco and delta and islands of the Paraná.

The project has enabled us to achieve a series of valuable determinations for our strategic positioning, establishing lines of work based on the categories of sensitivity we have noted:

- Areas of environmental sensitivity: in accordance with the need to operate in these areas, we shall be able to increase our studies which, in some cases, may be part of a joint project combined with other company activities.

- Areas which represent warning zones due to their proximity to protected areas or the characteristics of the medium; these areas should be reclassified by carrying out an operating risk analysis

- Currently or future unaffected areas

- Areas of current or future interest for the company where, although they do not affect biodiversity, it is useful to study and become familiar with them in order to analyse the appropriateness of dealing with them and ascertaining how this will affect our reputation.

In order to define the steps to be followed, we have incorporated a single layer GIS which clearly distinguishes the highly sensitive zones, medium sensitivity zones, unaffected zones and opportunity zones.

It should be mentioned that this important initiative has considerably advanced the basic knowledge of biodiversity in the country and will serve as a multiplying factor in creating large scale environmental plans and policies.

### Operated oilfields in areas with category IUCN I-IV

<table>
<thead>
<tr>
<th>Name of protected area</th>
<th>IUCN Category</th>
<th>Name of Block</th>
<th>Country</th>
<th>Type of activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>El Payún (La Payunia)</td>
<td>Ia</td>
<td>El Cajón de los Cavaos</td>
<td>Argentina</td>
<td>Production</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cerro Fortunoso</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Altiplanicie del Payún</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auca Mahuida</td>
<td>Ib</td>
<td>La Banda</td>
<td>Argentina</td>
<td>Production</td>
</tr>
<tr>
<td>El Trenmen</td>
<td>II</td>
<td>Río Barrancas</td>
<td>Argentina</td>
<td>Production</td>
</tr>
<tr>
<td>Yasuní National Park</td>
<td>II</td>
<td>Block 16</td>
<td>Ecuador</td>
<td>Production</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Block Tivacuno</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
We set up biodiversity action plans (BAP)

In accordance with criteria included in the Regulation on Biodiversity Management approved in 2008, the company assumes the commitment to develop BAPs in the IUCN I-IV category areas and in others considered with high ecological value.

During 2008, we continued developing BAPs started three years ago in Peru, and Trinidad and Tobago.

In addition, we began to develop a BAP in 2009 in the operations at Block 16 and Block Tivacuno both situated in the Yasuni National Park Ecuador, where we have drawn up preliminary environmental monitoring plans, and we plan to develop another in 2010 in operations in the areas
Biodiversity Action Plans in Peru and Trinidad and Tobago

Block 39, Peru
The exploratory area Block 39 is situated in the Amazonian forest of northern Peru internationally recognized as a region which has some of the greatest biodiversity on the planet.

Aware of this reality, early in 2006 we set up talks with the Smithsonian Institution, an internationally renowned conservation organisation with considerable experience in tropical areas of Latin America and in projects associated with oil companies. The meeting between both organisations resulted in the signature of a collaboration agreement, with the aim of exploring innovative and sustainable ways of carrying out seismic and drilling activities in the Peruvian forest.

The first stage of the convention came to an end early in 2007, following an exhaustive review of all the scientific information available on the area and consultation processes with all the parties involved, which enabled them to identify the most critical biodiversity issues for the company.

The recommendations of these preliminary studies were addressed in 2008 in a second phase which focused on the development of the BAP in line with guidelines for best practices in industry, developed by the International Association of Oil and Gas Producers (OGP) and the International Petroleum Industry Environmental Conservation Association (IPIECA).

The most important actions carried out during the BAP have included scientific field studies, installation of photographic traps, identification of critical conservation areas through satellite image analysis, integration of field information in Environmental and Social Impact Assessment and a communications plan.

Currently we are drawing up the scope of the following BAP phase which will be centred on integration of biodiversity aspects in exploratory activities programmed for 2009, as well as for possible future production scenarios, identifying opportunities for making a positive contribution to conservation in the region.

During this stage we hope to expand biodiversity studies in the eastern zone of Block 39 which has not been studied hitherto, and to continue integrating best practices in the Environmental and Social Impact Assessments. Another key element of the activities planned for 2009 will be communication of the results and making various interest groups aware of them.

The results and benefits obtained to date, reinforce on one hand the need to integrate all biodiversity aspects in projects from the earliest stages and on the other, the advisability of continuing to develop collaborative working models between our sector and conservation organisations in all the activities taking place in sensitive areas.

Offshore activities in Trinidad and Tobago
Our exploration and production activity in Trinidad and Tobago includes three fields in production known as Teak, Samman and Poui (TSP). There are a total of 17 platforms distributed along the east coast of the island of Trinidad

Although operations in this Block are not a direct threat to marine ecosystems in the area, in 2007 we began to develop a BAP for that operation.

Having concluded the early consultation phases with the main stakeholders and compiled existing information on biodiversity in the area we began to analyse the topography habitats and fauna in the marine ecosystems, using a non-invasive methodology and the best technologies available. This phase was completed in 2008 and included the creation of a map showing a graphic representation of the information and data obtained.

Prior to our project, the ecology of the sea bed of the east coast of Trinidad was relatively unknown. The results obtained showed the complexity of the structure of the sea bed of this area which has several different benthonic types of habitat.

In 2009 we disseminated the information compiled during this phase to the main interested parties in the area, such as fishing cooperatives. In this respect an initial step was to create a panel showing detailed information of the coastal habitats of the TSP block. The panel will be exhibited in schools and fishing ports along Trinidad’s eastern coast.
Protection of marine ecosystems

Repsol YPF has its own fleet of boats, and rigorous criteria are employed in evaluating and inspecting any vessels contracted with third parties, a practice known as vetting and we also provide this service to other companies.

Exacting safety measures in maritime transport

One of the main concerns of maritime transport authorities is that of preventing marine pollution and protecting marine ecosystems, particularly in areas specially designated as such by the International Maritime Organization (IMO): the Mediterranean sea, Baltic Black sea, Red sea, the Gulf area, Gulf of Aden, the Antarctic, the waters of north western Europe and the Oman area of the Arabian sea.

In the past the most serious problem was oil spills in the sea, either due to accidents or to defective operations. There is now much greater environmental awareness, and the IMO requires international sailing vessels, and especially tankers, to comply with extremely demanding regulations and they must be equipped with automatic safety and extremely advanced anti-polluting systems for dirty water treatment, dumping of hazardous liquid substances, management of waste and even prevention of atmospheric contamination.

The main purpose of our Vetting unit is to ensure compliance with the IMO regulations and other influential bodies such as the Oil Companies International Marine Forum (OCIMF) or International Chamber of Shipping (ICS), and national legislations in maritime safety and prevention of marine pollution in all vessels operated by Repsol YPF, or those which carry its cargoes or visit our terminals.

Vessels may be contracted for a given period (time charter) or per voyage. Given that time charter is the most frequent practice, risk assessment needs to be more exhaustive. As a result in 2008 we developed a specific procedure for timed chartered vessels and thus increased the safety levels of these vessels, and this procedure has been added to the Rules and Procedures which are revised annually.
A rigorous system of evaluation and inspection of vessels

We have set up an evaluation system which identifies and declassifies vessels which do not attain the established standards by means of a series of preliminary studies and physical inspections.

In our preliminary assessments we revised the documentation provided by the operator, which includes the duly completed Repsol YPF Vetting questionnaire; the pollution prevention certificates, certificates issued by the classification company; the history of inspections by the Governing Port Authority accidents which the vessel may have suffered and a self assessment of the technical operator’s management system.

Since November 2008, the requirement for a certification of civil liability cover for damages caused by fuel gas and oil of vessels entered into force and therefore the documentation requirements for a vessel to be considered acceptable for use by Repsol YPF were introduced.

The second stage, a physical inspection, is made during operations at a terminal. Through the Vetting unit, we have inspectors at our terminals in A Coruña, Bilbao, Tarragona and Cartagena, Spain and in Buenos Aires, Argentina. These inspectors handle vessels docking in their port of residence and travel to where a vessel is operating with a Repsol YPF cargo or which is of possible interest from a marketing point of view.

Our inspectors are Merchant Navy Captains with extensive seagoing experience qualified by Oil Companies International Marine Forum (OCIMF) to participate in the Ship Inspection Report Programme (SIRE) in the three specialities Oil, Chemical and Gas.

In 2008 we carried out 1,733 preliminary inspections of vessels of which 1,294 were acceptable, 393 were unacceptable and 46 resulted in the vessel’s declassification. We also made 870 physical inspections, with 768 vessels approved and 102 rejected.

Offshore exploration in the Gulf of San Jorge: Project Aurora

In 2008 we set up Project Aurora in Argentina, the first offshore exploratory drilling project in the basin of the gulf of San Jorge in the last 30 years.

The gulf of San Jorge is the most extensive in the Atlantic Argentine coast. It has a surface area of 39,400 km² and maximum depths of 100 metres at its centre. The project consists of drilling four exploratory wells, located at 30km of the coast facing the city of Comodoro Rivadavia in the province of Chubut.

The productivity of the waters in the Gulf of San Jorge and the enormous diversity of environments make this sector appropriate for fish spawning and breeding and for developing a considerable number of invertebrates. These aspects create the necessary conditions for developing a high concentration of bird and mammal species in the Gulf creating an area of considerable environmental sensitivity.

Both studies enabled the environmental and social sensitivity of the area to be determined and for sensitivity maps to be drawn up, necessary for creating in prevention, mitigation and contingency plans to be devised.

During the evaluation process we carried out a marine campaign designed mainly to obtain data for characterising the biodiversity of the area and the associated physical medium using samples from the bentonic community, sediment from the sea bed and sea water, and sighting of birds and marine mammals. We also developed dispersion models for atmospheric emissions, dumping of black and grey water, sludge and drilling and oil and gas cuts due to possible environmental contingencies, in order to predict the interaction of exploratory activity and the environment.

We therefore made a characterisation of the socio-demographic scenario and economic, political and institutional processes of the populations linked to the project, as throughout the history of the region development of the population was intimately associated with the economic activities of oil and fishing. The potential social impact of a project of this nature should be assessed from different levels of observation, and therefore we took into account all those involved, which influenced or may have some direct or indirect interest in relation to the presence of the off shore oil activity. In the stage prior to execution of the exploration we held communication and informative meetings with fishing associations, non governmental organisations authorities and other stakeholders.

The application of this methodology enabled us to implement best practices and techniques currently used in industry in executing projects with a high level of social interaction.
Reducing the impact of offshore marine activities

Our commitment to reducing possible environmental impact also extends to offshore operations where we have contingency plans for all activities (geophysical operations, drilling and production) in order to avoid any damage to marine ecosystems.

These plans are developed according to Repsol YPF internal regulations, in accordance with best practices in the sector, and we include the identification and systematic assessment of risks for safety and the environment in the preparatory stages of the project and the establishment of measures for reducing or eliminating such risks and impact during the activity (actions of a preventive type), as well as ensuring that we are prepared to respond in the event of any incident which may occur (actions of a corrective type).

Specifically our regulations provide contingency plans with the following minimum content:

- Review of legislation and regulations.
- Evaluation of Project risks.
- Identification of sensitive areas.
- Selection of response strategies.
- Modelling the path of the spill.
- Identification of the necessary equipment for containing and recovering a spill.
- Modelling of the discharge of drilling waste onto the sea bed.
- Training and skills plan for staff involved in the operations.
- Safety drill plan.
- Organisation communications and control.
The effect on marine mammals of acoustic waves from geophysical activity is an issue, due to its complexity and lack of scientific studies, on which there is very little knowledge. For this reason, since 2006 the International Association of Oil and Gas Producers (OGP) has spearheaded the project Sound and Marine Life (www.soundandmarinelife.org).

The purpose of the programme is to improve knowledge of the potential environmental effects of oil exploration on marine mammals, fish and turtles and ultimately permit effective measures for environmental protection in offshore projects. As members of the OGP we are monitoring this initiative for the purpose of integrating the recommendations and final results in our activities.

At the same time at a global level we have adopted precautionary principles in all offshore geophysical campaigns, in which it is obligatory to comply with the Standard Joint Nature Conservation Committee Guidelines for Minimising Acoustic Disturbance to Marine Mammals From Seismic Surveys (2004), which describes requirements and actions designed to reduce acoustic impact in marine mammals. The Standard includes the following measures:

- Planning of the survey in respect of seasonal activity of marine mammals (migrations, food, reproduction).
- The presence of a qualified marine mammal observer during the survey.
- The implementation of the “soft start” procedure for air cannons.
- The procedure to follow in the event of sightings of mammals at less than 500m from the sound source.
- The marine mammal sighting report and the behaviour observed.

For more information: www.jncc.gov.uk/pdf/Seismic_survey_guidelines_200404.pdf

The practice drill organised by the reference group of spills of the community of safety and environmental practices, enabled attendees to observe coordination and communications between the commando team of the United States business unit and the team in charge of the operational part of the response, part of the O’Brien’s organisation (www.theobriensgroup.com). In addition, the participants attended the annual conference on spills organised by Clean Gulf (www.cleangulf.org).

- Agreements with external organisations in respect of spill response.

Since 2007 we have set up contracts with specialised companies which provide assessment, training and response strategies to spills for all upstream activities at a global level. By way of an example, we have entered into agreements with the companies Oil Spill Response Limited (OSRL) for offshore drilling activity world wide and for activities in the Casablanca platform in Spain, and with Clean Caribbean American (CCA) for the offshore rigs operating in Trinidad and Tobago. We also carry out offshore spill response drills. In October 2008 the second annual offshore spill response exercise was held in Houston in USA.
Relations with surroundings and stakeholders

We consider that early involvement and consultation with the main stakeholders will improve knowledge of local conditions and increase public support for long term projects.

Communication with communities and other stakeholders

For this purpose we established processes for involving and informing the public according to the company’s biodiversity management guidelines, through consultations with third parties, which include the State Authorities, NGOs, local communities affected, academic research bodies and authorities of protected areas affected. The involvement of third parties in these programmes usually consists of the following activities:

- Providing suggestions and opinions during consultations. This is the commonest option.
- Participating directly in field work, such as baseline studies or biodiversity monitoring. It is usual for local communities, local NGOs or academic institutions.
- Through creation of collaboration agreements. In this case the selected organisation participates in all the BAP phases, from design to execution. Such is the case of development of the BAP for Block 39 in Peru, for which we have established an agreement with the Smithsonian Institution.
These consultation procedures involving stakeholders were carried out during the planning stage of the Biodiversity Action Plans which we are currently developing. Furthermore, we have made environmental impact assessments available (EIAs) in official bodies of each of the countries where we are operating.

Contributing to improving our surroundings
In 2008 we coordinated and carried out numerous collaborative actions with communities adjacent to our installations which have enabled us to improve the area neighbouring our activity.

In this respect, in Quiriquire, in Venezuela we held our first Biodiversity Protection Workshops in the communities of the Punceres municipal district of Edo. Monagas, for the purpose of involving the educational community and communal boards of the local council in the research and conservation of the biodiversity of the area, with the approximate participation of 200 residents, students and teachers.

The activities carried out, also involved representatives of the Regional Department of the Ministry of Environment and PDVSA Gas and included talks on biodiversity aimed at students of the Rafael Urdaneta university, cleaning and reforestation activities in the communities of La Curva, La Pantalla and Miraflorres.

Furthermore, we have received the “Sustainable Development Award 2008” for the La Pampilla refinery through the category “Environmental protection or management endeavours” in the oil and gas sector, with the Project “Forestation Programme using treated waste water” in a competition organised by the National Mining, Oil and Energy Association a group which brings together the main companies in the Peruvian oil, mining and energy industry.

In collaboration with regional and local authorities and the inhabitants of neighbouring communities we have developed a sustainable alternative at the La Pampilla refinery for the creation of a forest of 3,000 trees adjacent to the village of Ventanilla close to our refinery.

The project consisted of using waste sewage water of this village to drip irrigate a forest sown in an arid zone. Previously having been treated, this water was discharged into the soil through percolation. It has been a successful experience for the company because it has manager to create awareness of the population to participate actively and directly in conditioning the land and sowing saplings as well as maintaining the forest (watering and surveillance).

The project provided a solution to the following aspects:

- Protection of the buffer zone of the natural wetlands of Ventanilla and biodiversity of the ecosystem, establishing a barrier for the encroaching population.
- Use of treated waste water evacuated directly into the ground without being used.
- Development of environmental services of forest as carbon sink and contribution to mitigating the effects of climate change.

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- Protection of the buffer zone of the natural wetlands of Ventanilla and biodiversity of the ecosystem, establishing a barrier for the encroaching population.
- Use of treated waste water evacuated directly into the ground without being used.
- Development of environmental services of forest as carbon sink and contribution to mitigating the effects of climate change.

Biodiversity analysis and determination of environmental conservation objects
in the field Capachos (Colombia)

The Capachos field of development is in the Piedemonte region of the Colombian western planes, in the municipal district of Tame in the department of Arauca.

The operation was developed in an area considerably affected by the expansion of the fringes of the agricultural area created by local peasants.

As a result of the study we found that the forest ecosystems are disturbed and disintegrated by the continuous pressure exercised by the local peasants who have extended the agricultural fringe, which enabled us to identify as a conservation target, due its high sensitivity resulting from its wildlife, the protective coverage of the water channels as they act as shelter, feeding and roaming areas for various wildlife species. The foregoing confirms that the work we are doing in creating reserve areas of sources of water supply in the region and the creation of environmental awareness and skills of the local communities, is aligned with the conservation target identified in the study.

In 2009 we have considered continuing with the acquisition and isolation of land with environmental interest with a view to its conservation, in addition to creating skills in the community, with particular emphasis on disclosing the results obtained in the study.
Participating in research, conservation education and awareness projects

We are members of the International Petroleum Industry Environmental Conservation Association (IPIECA), an association which aims to develop best practices in oil and gas sector operations. In this respect, we have taken part and actively collaborated in workshops and meetings of the Biodiversity Working Group in order to improve performance in the oil and gas industry, reduce negative impact on biodiversity and contribute to the goals of the Convention on Biological Diversity.

In 2008 we also took part in various forums and conferences including:

• **IUCN World Conservation Congress, Barcelona, Spain.**

In 2008 the World Conservation Congress became the biggest and most extensive nature conservation event in the world. It is held every four years and is designed to improve the way in which we manage the natural environment for human, social and economic development.

Over 8,000 government officials, those in the public sector, non-governmental organisations, companies, multinational agencies, and social bodies met together for ten days in order to discuss, debate and make decisions to resolve the most pressing matters worldwide in environmental and development matters.

We took an active part in the conference, presenting the case study Monitoring of marine mammals in seismic operations (Argentina and Brazil), presenting measures taken by the company for the protection of biodiversity in four seismic campaigns in Argentina and Brazil in 2007.

* Detailed information on these companies can be found at www.repsol.com
We are committed to cooperating and collaborating with organisations which promote the research, conservation, education and creation of awareness in biodiversity matters. We also participate in different forums, congresses and associations at international level.

• **World Bird Conference, Buenos Aires, Argentina.**

The theme of the conference was “Achieving Biodiversity Conservation Targets for 2010”. The agenda included themes such as deforestation, endangered species, avian flu, integration of conservation in development, economic values of biodiversity, conservation of marine birds and valuable areas for biological diversity.

628 people attended the event (in addition to 391 members of the Birdlife network) from 124 countries. Altogether 169 sessions were held with approximately 450 presentations. Repsol YPF sponsors this event financially.

It also took advantage of the event to present various international, regional and national publications including: “State of the World’s Birds: indicators for our changing world (in Spanish, French and English)”, “Critically Endangered Birds: a global audit” and “Birds and People: bonds in a timeless journey”.

• **World Petroleum Congress Madrid, Spain.**

With the slogan: “A world in transition, delivering energy for sustainable growth” the latest World Petroleum Congress was held in Madrid and was attended by 5,000 people, with representatives from a thousand companies (including the world’s largest oil companies) authorities from around twenty countries, important international agencies such as the International Agency for Energy and the Organisation of Oil Exporting Countries.

As the main sponsors, we took an active role in the event, presenting various papers on sustainability and protection of the environment.

For further information see www.19wpc.com

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The World Business Council for Sustainable Development (WBCSD) recognizes our work in biodiversity

The World Business Council for Sustainable Development (WBCSD) has included in its list of case studies five specific projects in which we are having a positive impact in the scope of protection of the environment and biodiversity.

WBCSD is an international association of over 200 companies (including Repsol YPF) and constitutes a platform for companies to share their knowledge, experiences and to explore best practices in the field of sustainable development.

The WBCSD works with the United Nations through its specialised agencies such as the United Nations Development Programme and United Nations Environment Programme.

Case studies in this list addressed the following matters:

- Monitoring of marine mammals in seismic operations (Argentina and Brazil)
- The ecology reserve and bird rescue centre at the Luján de Cuyo refinery (Argentina)
- Neuquen Forestry Project (Argentina)
- Ecosystem evaluation (Brazil)
- Biodiversity information system (SIBRY)

In view of this organisation’s prestige and renown, this amounts to clear recognition of our work in the field of biodiversity and it also helps to disseminate our work at a global level, and in particular among other companies in the sector.
Main collaborations in biodiversity matters

UNEP-WCMC agreement for participation in the Proteus project.
In 2007 we entered into an agreement with United Nations Environment Programme – World Conservation Monitoring Centre (UNEP-WCMC) in order to take part in the Proteus project. This project was created in 2002 with a view to designing an updated and manageable system for storing, managing and reporting on all the areas protected at a worldwide level.
Since 2006, Proteus began working on renovating the World Database on Protected Areas (WDPA), a joint project of the UNEP and the International Union for Conservation of Nature (IUCN) managed by UNEP-WCMC in Cambridge, United Kingdom. The WDPA is the only worldwide database of protected marine and land areas.
For the first five years the Plan Proteus 2012 includes as its main goals the development of improved instruments for supporting decision making in the private sector by gathering information on protected areas and endangered species and subsequent compilation of marine and coastal information.

Agreement with the Smithsonian Institution
In 2006 we signed an agreement with the Smithsonian Institution, concerned mainly with development of an Action Plan. For further information: Study case—Biodiversity Action Plan for Block 39 (Peru) including in the section “Biodiversity Action Plans, a key tool for protecting biodiversity”.

Collaboration agreement with the Ecocentro Foundation Argentina
For four years we have supported the Ecocentro Foundation in its photo-identification and discovery project on the southern right whale. The work is based on photographic identification of whales made from tourist vessels and seeks to obtain information on the numbers distributed throughout the sighting zone in order to describe interaction between individual animals and the boats.
In 2008, the 5th photo identification campaign was held, sponsored by Repsol YPF which was able to identify over 1,000 whales. At the present time, the YPF Foundation is collaborating in the compilation of a catalogue of the work of photo identification of the franca austral whale carried out in the last five years.

Collaboration agreement with the SOS Mata Atlantica Foundation Brazil.
The SOS Mata Atlantica Foundation is a non-governmental organisation which seeks to preserve the Atlantic forest and the vegetation of the Brazilian coastline. In the 22 years of this Foundation’s existence, we are the only oil company which has been allowed to become a member.
Since 2005 we have joined the Foundation in participating in the Florestas do Futuro project. This programme seeks to restore the forest areas close to rivers and lakes to help preserve these water sources. We have already planted two forests in Pinheiral and Salesópolis, which altogether resulted in the planting of thirty thousand tree saplings, helping the eight million people who have direct contact with the rivers of these regions.
In addition to the planning of Florestas do Futuro we are also involved in another project on environmental education with the Instituto Educa Mata Atlântica, an organisation associated with SOS Mata Atlântica. The project instructs students in environmental protection. These students disseminate their knowledge, creating respect for nature, and act through practical action at environmental conferences on behalf of the community and businesses, providing a local, social and environmental diagnosis with proposals and alternatives for improving quality of life and environmental and social issues, including the participation of schools and interested associations.

Cooperation agreement with the National Parks Authority Argentina
In 2007 we signed a cooperation agreement with the National Parks Authority (NPA) in which the company donates fuel for compliance with the institutional purposes of the NPA throughout the National System of Protected Areas. The agreement has a two year duration dating from 2007, with tacit renewal for one further year.
The agreement concerns the joint task of analysing and studying the problems of biodiversity through research into the animal population, recovery of areas, reforestation with native species, are just some of the activities considered necessary for parks.

Collaboration agreement with the Federal University of Rio de Janeiro (FURJ) Brazil.
In 2007 we signed a collaboration agreement with the FURJ Brazil’s main university to promote R+D projects. The agreement included construction of an Eco Management laboratory which it is hoped to complete by the final quarter of 2009. From that time various research projects will be set up to look into modelling and simulation of environmental problems in managing oil reserves.
Those projects will encompass biodiversity conservation aspects in drilling and exploration operations, such as assessment of the life cycle of material resources in the oil industry and eco-efficient planning of reserves.

Agreement with the Argentine Ministry of the Environment and Public Works and the Regional Research Centre Foundation.
In 2007 we signed an agreement with the Argentine Environmental and Public Works Agreement and the Regional Research Centre Foundation for follow up and monitoring of the oil activity in the area of Payunia and its zone of influence. The object of this agreement is the set up of the Payunia Environmental Management Unit known as UGAP.

Publication of the Guide of Wild Birds in Mendoza, Argentina, together with the Argentine Birds Association.
Together with the Argentine Birds Association, a leading body in the task of publicising and protection of the country’s wildlife, we published a photographic guide of species typical to Mendoza in 2008. The Guide contains the description and photos of the 100 most typical species in the province and is set to become a valuable educational instrument for identifying these species.
Our activities in Mendoza have long been concerned with a commitment to the environment. Thus in 1998 two guides were published on Birds and Tree species in the area of the Luján de Cuyo refinery, and subsequently the refinery’s Ecology Reserve was created. In recent years, following an agreement set up with the Department of Fauna of the Mendoza Natural Resources Department, a Rehabilitation Centre for Passeriform birds has been set up.
Reports and appendices

Independent Experts Committee's conclusions report
Verification report
Further information on Repsol YPF’s performance
Compliance with GRI recommendations
The GRI indicators, the United Nations Global Compact and Millennium Development Goals
Responses to the independent Experts Committee
For third year in a row, we have enlisted the help of an Independent Experts Committee to ensure the transparency of the information disclosed in the Corporate Responsibility Report.

Aligned to our commitment to transparency, we would like to come near our stakeholders and to get a better understanding of their expectations. In that sense, we have enlisted the help of an Independent Experts Committee (IEC) for third year in a row, to drive the transparency of this report’s disclosed information and assure the response, and to what degree, is addressing the uncertainties, with the elaboration of a report with greater value added for all, as the end result. At the same time, with this collaboration, the intent is to strengthen the interested parties’ interaction channels.

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 answers to the IEC’s questions appear as part of the information disclosed in each of the chapters of this Report and to know exactly the questions and answers, we have disclosed an Appendix where the questions and responses to the Independent Experts Committee are gathered.

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.
KPMG has requested us, as independent verifier, to write a Conclusions Report on the adequacy level of the information included in the REPSOL’s Corporate Responsibility and Corporate Governance reports regarding the issues, which under criteria of the persons of this Committee, constitute the relevant issues. The company has to respond to them showing its sustainable development commitment and responsible performance in its public information.

For this purpose, we have prepared the following questions for the company management, in an independent manner and based on our judgement.

### Questions formulated by the Committee to REPSOL management

1. Repsol YPF acts in various highly valuable biodiversity areas. How many oilfields where the company operates are in protected areas? How many of these have a Biodiversity Action Plan (BAP)? What is the planned schedule for all the zones to benefit from this type of plan? What type of information and local and international public participation has the company organised in order to devise the various BAPs? How can interested organisations participate in those plans?

2. Although the company considers the financial risks inherent in its environmental risks to be acceptable, the latter can cause a high level of social rejection especially in highly populated areas or in operations which could have a serious risk to health, local culture or biodiversity. In some countries particularly the poorest ones, the local population are extremely limited in terms of resources at their disposal for raising any protest. Given this situation, what is the practical content of the Ethics and Conduct Regulation contained in the Repsol YPF CSR report, and how this is actually applied in the operational activities and in the choice of new projects?

3. According to the G3 GRI guide, a report such as that analysed should include both favourable and unfavourable results, as well as important aspects which could influence decisions of stakeholders proportionate to their materiality. Does Repsol YPF consider the possibility of providing a greater balance in terms of environmental information, on climate change and biodiversity, by including in its future Corporate Responsibility Reports, any unfavourable questions addressed such as legal actions, or negative impact of activities carried out? Has the company considered including some kind of comparative information which would give some idea of the degree of remediation of its negative environmental impact, its environmental leadership in the sector, as well as the effect of its activities on the local population with a less favourable economy?

4. Repsol YPF is currently exploiting or has plans to exploit, numerous offshore oilfields. Since deep sea
marine habitats are highly susceptible to pollution: What kind of contingency plans has the company designed in order to prevent damage to ecosystems? What alternative exploration systems has the company developed in order to avoid the use during the exploration phase of acoustic waves which can cause serious damage to populations of endangered species such as cetaceans?

5. In its section on climate change, the Corporate Responsibility Report 2007 refers to the company’s Carbon Plan and its objectives of reducing greenhouse gas emissions with respect to the business as usual scenario. The report, however, does not provide any details on this scenario, how it was calculated, or how these objectives are applied to the company’s absolute emission targets, which have been increasing since 2005. Could you provide some details on the company’s objectives for reducing absolute emissions? This Committee recommends that when objectives or achievements are mentioned in respect of emission reductions in comparison with the business as usual scenario, the company should also specify the evolution of absolute emissions and disclose this information grouped together rather than in different parts of the report.

6. The Corporate Responsibility Report includes information on the substantial reduction of spills over the past year. As other companies in the industry are doing already, it would be advisable to include a list of the spills and the main reasons thereof in this report. What were the main spills that occurred over the past year, the reasons, and the main environmental and social consequences?

7. Repsol YPF announced its objective of producing one million tons of biodiesel and bioethanol by 2010 and has expressed its commitment of ensuring that it would be produced from sustainable sources. How does the company plan to guarantee consumers the traceability and the certification of these fuels that have such a significant environmental and social impact? It is also important provide details on the hydric footprint of the products produced by company and its subsidiaries, especially with regards to biodiesel. Could you provide details on this impact? What is the hydric footprint of Repsol YPF and of its various products?

8. In 2003, Repsol YPF joined the Extractive Industries Transparency Initiative (EITI) which purpose is to promote reporting transparency in the extractive industry. Now that the Spanish Government joined EITI in December 2007, would Repsol YPF actively support some of the initiatives detailed in the Parliamentary Recommendation of December 2005 on Transparency in the Extractive Industry to the extent that it has not been implemented in Spain yet. If affirmative, what would be the measures that it would support as a priority?

9. The relative weighting of women in the Repsol YPF workforce increases very slowly, especially at senior levels, where there are much fewer women in comparison to men. In 2007, women accounted for 7.89% of the total managerial positions and 23.44% of those classified under the category of “operators”: a) To what extent is this difference, which seems to remain unchanged, at least over the past three years, due to women’s lack of qualifications for the job? Is the principle of equality and non-discrimination in relation to gender guaranteed when applying for the same job? b) In countries women play a discreet role in society because of cultural, religious, or other reasons; does Repsol YPF strive to gradually incorporate women in the company’s workforce? c) Does the company’s action plans contemplate the reduction of working day for men and women in order to encourage the work-life balance?

10. The Corporate Responsibility Report describes the composition of the company’s Ethics Committee which is responsible for receiving reports on issues referred to in the Ethics and Conduct Regulation. No employee representative who is not a manager or director has a seat in this Committee. Has the company considered enlarging the Committee to include the representation of employees who are not members of this group, for example, workers who represent any of the trade unions?

11. Most of the resources spent in social programs of general interest are earmarked, on one part, for promoting educational and training programs and, on the other part, for promoting community development: What specific programs have been carried out in relation to community development? b) What is the breakdown of training programs by regions, segments of the population (youth, women,
ethnic groups, etc.), and specific initiatives (training, learning skills)? c) Are there indicators to measure the effectiveness of the company’s actions in relation to the various initiatives undertaken under the various social programs? d) What is the average duration of social programs and what is the commitment to their continuation over time and in the target space (region)? That is, to what extent does the company acquire a commitment to give continuity to its initiatives?

12. In its Corporate Responsibility Report, the company recognises that community relations contribute to the success of the business in the long term and to the development of the communities where it operates. It is mentioned in this respect, that the new Policy of Relations with Indigenous Communities will be a “basic pillar underpinning the social license to operate”. How will Repsol YPF apply this policy in the areas where the company currently operates in order to obtain the aforementioned social license to operate referred to in the report? Has a public and transparent procedure been established to ensure compliance with the rights recognised in this policy pursuant to which all stakeholders can be involved in its implementation?

13. Regarding Repsol YPF’s occupational health and safety requisites: a) are these requisites applied uniformly in all the geographical regions where the company operates and aligned or adapted to the requisites of each particular country or region? b) Has the company designed a long-term occupational health and safety strategy or action plan with the objective of spreading it throughout its area of influence and beyond the company?

14. Repsol YPF states that it has signed the Global Compact which contemplates, in its tenth principle, the commitment to fighting against corruption. In this respect, the Report states that the Company is firmly committed to transparency to avoid any corrupt actions: a) How does the company effectively control any possible corrupt action on the part of employees, administrators, or company suppliers? b) How does the company ensure that any possible reports remain anonymous to avoid reprisals? c) What are the measures contemplated in the event of any corruption and/or bribery? Have any corrupt actions been detected at the company? What have been the consequences of such actions?

15. Among the functions of the Strategy, Investments and Corporate Social Responsibility Committee is to know and guide the policy, objectives, and guidelines of the Repsol YPF Group in relation to CSR? Has this Committee prepared a report on its Activities in 2007? If this is the case, what were the specific CSR issues covered in this report? Has this Strategy, Investments and Corporate Social Responsibility Committee hired an external CSR advisor in 2007? If so, could you provide details in this respect?

After having considered REPSOL’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

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 Sustainability Report, in order to bring positive issues to light as well as inconveniences, insufficiencies or issues that could be improved within this company’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 two groups or levels of appropriate responsiveness to the questions posed by this committee:

Firstly, thirteen questions (nos. 1, 2, 3, 4, 5, 7, 8, 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 six of them.

With respect to question 2, although the response is satisfactory in general, it is not sufficiently clear the practical content and the effective application of the Regulation, and specifically to the projects selection, neither it is not clear what the company will do in order to disclose the contents of its environmental and social policy, specifically in the context mentioned in the question, that is, to the social situations of low resources and risks knowledge. It is recommended to clarify in a higher extent this type of information.

Regarding question 7, from the response of the company it is not clear that a legislation that is not yet developed will guarantee the biofuels production sustainability.

With regard to question 8, although there is relevant information provided in the response regarding the initiatives where the company participates, there is not a clear and specific answer to the question.

With respect to question 10, although the quality of the response, one should wonder the way in how the company considers incorporating the employees perspective in the issues dealt with the Ethical and Conduct Regulation. In this way, it is recommended to increase the response.

Regarding question 11, from the content of the response, it is not clear if the assessment of the effectiveness of such projects is done in an independent manner, neither the way in how the impact assessment/measurement of these projects is done with objective criteria. In addition, it is recommended to the company, either in this year report or in the upcoming ones, to report on the target population of this type of programs and particularly, to the percentage earmarked to children and women.

With regard to question 15, although the response in general is quite satisfactory, it is recommended that the company details the plans planned by the Commission regarding to those asked in the question as well as the specific objectives to the immediate future.

There is a second group of questions (nos. 6 and 12) which in our opinion have not been adequately responded to of information provided is insufficient. We make certain recommendations in this regard.

Regarding question 6, this Committee expresses that there is no sufficiently information about the long term causes and consequences of the spills, neither about the social and environmental information of such spills. Also, one should wonder if the company has adopted measures to prevent in the future
situations such of those occurred in Las Heras and Chubut.

With regards to question 12, although the response contains a lot of information and the significant level of information is high, does not respond directly to the second question raised by this Committee. In that sense, it is recommended that the company should disclose more information on how the company will perform the dialogue with indigenous communities in the territories where it operates. Although the regulations are well quoted, some details about the implementation of the corresponding policies are missed.

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 to 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 31 March 2009

(signed)
JESÚS LIZCANO ALVAREZ
Verification report

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 2008, included in its 2008 Corporate responsibility Report (hereinafter the Report). The production of the Report and the selection of the contents considered as most relevant for its stakeholders is the responsibility of REPSOL YPF Management. Financial information included in the Report comes from the REPSOL YPF’s 2008 Annual Accounts Report that has been independently reviewed.

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 the appropriate application of both the AA1000 Assurance Standard (2003) 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 ISAE 3000 (International Standard for Assurance Engagements) standard:

- Reasonable for indicators marked with the “✓” symbol in Annex (Compliance with GRI recommendations) for which sufficient evidence has been obtained to reduce the risk of a material error to an acceptance level.
- Limited:
  - for indicators marked with the “◆” symbol in Annex (Compliance with GRI recommendations).
  - in relation to the application of the AA1000AS (2003) standard and the GRI G3 Guidelines for A+ level of application whose self-declaration has received the confirmation from Global Reporting Initiative.
  - 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).

The procedures carried out in our limited revision have been substantially lower to those carried out for a reasonable revision. Therefore, the assurance provided is also lower.

The revision of the above-mentioned information has not included the verification of quantitative data corresponding to the case studies included in the Report.

We have checked that financial information included in this Report comes from the Annual Accounts, audited by independent third party.

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 (2003) and the GRI G3 Guidelines application criteria have been followed, as it is these that REPSOL YPF has applied in the preparation of its Report as it is described in the chapter entitled, “About this report”.

Work performed

a) Information with reasonable level of assurance

We have reviewed the information marked with the “☑” symbol in Annex (Compliance with GRI recommendations) of the Report as described in the scope, basing our review in 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 information.
• 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 (Compliance with 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 defining the contents of the Reports 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 chapter “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 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
Partner

29 May 2009
Further information on Repsol YPF’s performance

Information on the company’s various activities in 2008 is described in a number of reports which are available, either through repsol.com or through the publications request service:

- Repsol 2008 Report
- Corporate Responsibility Report 2008
- Corporate Governance Report 2008

In addition, the information obtained at www.repsol.com supplements and completes the information provided in this report. The section Corporate Responsibility includes additional information on aspects and case studies mentioned in this report.
Compliance with GRI recommendations

Repsol YPF will continue to work towards progressively improving information on corporate responsibility. This Corporate Responsibility Report 2008 contains the principles and guidelines established by the G3 guide for compiling sustainability reports of the Global Reporting Initiative (GRI).

**Keys to a reading of this index**

The column **Section/Indicator** consists of a list of contents specified by GRI for inclusion in core responsibility reports. It includes all the core indicators and additional indicators on which information is provided.

The Verification column identifies the indicators subject to external verification process by means of the following symbols: ✓ for indicators verified with a reasonable level of assurance and ✗ indicators verified with a limited level of assurance according to the assurance criteria described in the verification report (see page 198).

The column **Page** indicates where to find the content in this Report, the Accounts Report and the Corporate Governance Report. In addition, a reference has been introduced among the United Nations Global Compact and the indicators of the GRI G3 Guide. In order to determine this relation, the Making the Connection guide has been used available on the GRI website (http://www.globalreporting.org/CurrentPriorities/UNGCP/) which endeavours to join forces with the Global Compact to compile Progress Reports (COP, Communication on Progress) using the G3 guide. This relation is detailed in the Annexe “The GRI indicators, the United Nations Global Compact and Millennium Development Goals”. Together with this table, a list of United Nations Millennium Development Goals has been added.

Finally, the Annexe, “Responses to the Independent Expert Committee” contains questions and answers of the Corporate Responsibility Report 2008 given to the Independent Expert Committee within the framework of said Committee’s participation in the report.
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Responses to the Independent Expert Committee

**QUESTION 1:**

Repsol YPF acts in various highly valuable biodiversity areas. How many oilfields where the company operates are in protected areas? How many of these have a Biodiversity Action Plan (BAP)? What is the planned schedule for all the zones to benefit from this type of plan? What type of information and local and international public participation has the company organised in order to devise the various BAPs? How can interested organisations participate in those plans?

Currently Repsol YPF is developing exploration and production activities in various areas which are considered sensitive from the biodiversity perspective. Below we include the list of oilfields in which the company is operating situated in areas with Category I to IV according to the International Union for Conservation of Nature (IUCN).

In 2008 Repsol YPF approved new internal regulations which established basic criteria and guidelines for biodiversity protection. These include, among other requirements, the undertaking to implement Biodiversity Action Plans (BAPs) in IUCN defined Category I to IV areas and other zones considered to be of high ecological value.

In accordance with criteria included in that regulation, Repsol YPF began to develop a BAP in 2009 in operations in Block 16 and Trivacunco Block both situated in the Yasuní National Park in Ecuador, where preliminary environmental monitoring plans were drawn up and it is planned to develop another in the operations in the Auca Mahuida in 2010 where the preliminary environmental assessment has already begun.

Prior to approval of the new regulations, the company had initiated BAPs in various oilfields: one situated in a zone considered to be highly valuable in ecological terms in the exploratory activities of block 39 (Peru) initiated in 2006; another in offshore activities on the east coast of Trinidad and Tobago, initiated in 2007, in which the first study to date has been completed on marine bed habitats in this country.

Finally, the company plans to develop a BAP in the Llancanelo block in Argentina in 2010, where the oilfields lies adjacent to the Llancanelo lagoon an area accorded category I according to the IUCN. In the first months of 2009 work began on the preliminary environmental assessment.

In addition to developing BAPs in all operations situated in areas with IUCN categories I-IV baseline environmental studies have been carried out and the company normally considers the specific requirements for protecting biodiversity in all the Environmental and Social Impact Assessments (ESIA) in accordance with the ESIA guide for Repsol YPF exploration and production activities.

In the case of El Payún, Repsol YPF signed an Agreement with the Argentine Ministry of Environment and Public Works and the Regional Research Centre Foundation for follow up and monitoring of the oil activity in the area of Payunia and its zone of influence.

With regard to the process of providing public information and participation as indicated in internal regulations for the company’s biodiversity management, one of the activities to be carried out during the BAP planning phase is to consult third parties which include the Authorities, NGOs local, communities affected, academic research bodies and authorities of protected areas affected. These consultations were made at the planning stage of the two BAPs currently being developed by the company.

In order to map the stakeholders, the company is developing a methodology for identifying stakeholders in upstream activities, with the purpose of understanding the roles of different groups and kinds of consultation more appropriate to each. The methodology establishes that the different stakeholders should be classified in accordance with the potential impact that operations have on them and the potential impact they could have on the operation, considering different aspects of sustainability (social, environmental and economic). The information on interest groups may be obtained from historical data, workshops, previous processes and baseline studies on impact assessments. Classification of stakeholders may be made using different tools, such as for example, stakeholders/impact valuation matrices, carrying out internal workshops where various participants value the importance of each impact for each stakeholder and their expectations etc.

In accordance with the impacts and expectations identified an external consultation programme is being drawn up which also includes the requirements established by specific laws and regulations applicable to the project. The involvement of third parties in these programmes usually consists of the following activities:

- Providing suggestions and opinions during consultations. This is the commonest option.
- For this purpose, based on the project, the company considers establishing various mechanisms for encouraging consultation with stakeholders (by telephone, through website etc) and/or active participation (through for example multi-stakeholders’ forums consulting panels, workshops with communities, open dialogues, etc).
- Participating directly in the field work and in the baseline studies and/or biodiversity monitoring plans (it is normal for local communities to participate, local NGOs or academic institutions).
- Through creation of collaboration agreements with the company. In this case the organisation selected takes part in all the BAP phases from the design stage to execution (for example, in order to develop the BAP of block 39 in Peru, Repsol YPF has established an agreement with the Smithsonian Institution).
QUESTION 2:
Although the company considers the financial risks inherent in its environmental risks to be acceptable, the latter can cause a high level of social rejection especially in highly populated areas or in operations which could have a serious risk to health, local culture or biodiversity. In some countries particularly the poorest ones, the local population are extremely limited in terms of resources at their disposal for raising any protest. Given this situation, what is the practical content of the Ethics and Conduct Regulation contained in the Repsol YPF CSR report, and how this is actually applied in the operational activities and in the choice of new projects?

Ethics and Conduct Regulation for Repsol YPF’s employees expressly contains the company’s undertaking to carry out its activities in a way which will minimise any negative environmental impact and achieve a high level of safety in its processes, installations and services, paying particular attention to the protection of its employees, contractors, customers and local surroundings. This undertaking led to the Health, Safety and Environmental Policy of Repsol YPF. This policy includes the fact that Repsol YPF will maintain communications channels with stakeholders and will work jointly with the society in question providing knowledge and providing reliable and transparent information on its performance and the effect that its activities and products will have on persons and the environment.

Furthermore, one of the basic courses of action in this area is that of prevention through identification and management of environmental and safety risks.

In order to achieve these goals, Repsol YPF promotes environmental and safety training for its entire staff, in particular those employees implicated in the management and maintenance of the installations and those directly related to customers, suppliers and contractors.

Repsol YPF staff, irrespective of their job or geographic location, are required to ensure their own safety by complying with the prevention measures taken in any cases and should contribute to the safety of others and the environment.

Furthermore, all staff should be aware of the effects of the products and processes that they are handling, paying particular attention to safety and the environmental effect on consumption, use and handing of products so that throughout their life cycle they will permit safe use with no harmful effects for health.

Another point contained in the Ethics and Conduct Regulation for Repsol YPF’s employees refers to human rights and public freedoms. Apart from making public Repsol YPF’s commitment to respecting and protecting human rights and public freedoms recognised in the Universal Declaration of Human Rights and in the most important international agreements on this subject, express mention is made of the human rights policy known as Policy of Respect for People and their Diversity. From this last policy Repsol YPF has determined its commitment to society and the communities in which the company carries out its activities. This commitment covers the undertaking to ensure the compatibility of developing energy resources with close and positive relations with the neighbouring communities involved and the further undertaking to promote human rights within the company’s scope of competence.

In order to reinforce responsible behaviour in terms of environmental and social areas, in 2008 Repsol YPF approved the Policy of Relations with Indigenous Communities. These policies permit the emphasis and efforts that Repsol YPF has sought to promote on dialogue and understanding with the communities living in the vicinity of their operations, and they respond to the particular needs of different communities by creating specific plans for Community Relations.

QUESTION 3:
According to the G3 GRI guide, a report such as that analysed should include both favourable and unfavourable results, as well as important aspects which could influence decisions of stakeholders proportionate to their materiality. Does Repsol YPF consider the possibility of providing a greater balance in terms of environmental information, on climate change and biodiversity, by including in its future Corporate Responsibility Reports, any unfavourable questions addressed such as legal actions, or negative impact of activities carried out? Has the company considered including some kind of comparative information which would give some idea of the degree of remediation of its negative environmental impact, its environmental leadership in the sector, as well as the effect of its activities on the local population with a less favourable economy?

In order to compile its Corporate Responsibility Report, since 2005 Repsol YPF has developed an annual materiality study based on the recommendations of the AA1000 standard, in order to focus its report on the most relevant issues addressed by institutional investors paying attention to practices in corporate responsibility.

I. Challenges in the sector, such as those raised by institutional investors paying attention to practices in corporate responsibility.

II. Information on corporate responsibility published by companies in the sector.

III. Attention paid by associations in the sector to various questions and issues on corporate responsibility.

IV. Questions on corporate responsibility in the oil and gas sector which are reflected in the communications media.

V. Issues given priority by opinion commentators who publish articles on trends on internet.

The materiality study permits a map of Repsol YPF’s material issues to be drawn up and to value these issues based on their maturity and risk. All the issues identified as material are dealt with in the Corporate Responsibility Report, which includes
information on the results obtained by the company, which aims to provide balanced information on positive and negative aspects.

In this respect, the company informs on:

• the impacts that its activities have on the environment providing information on each of the most relevant environmental vectors: main air emissions (including greenhouse gases), water management and discharges, waste management, contaminated soils and spills occurring in the past year. For each of the environmental vectors, global information is included on the company’s performance and details specific projects of interest carried out at a level of the centre or locality.

• Activities carried out to remedy contaminated soils and underground waters.

• The main environmental legal action cases in which the company is involved, are found in the Annual Accounts Report (note 37). This information is also referenced in the Corporate Responsibility Report 2008 in the annexe “Compliance with GRI recommendations” indicator EN 28.

With respect to environmental leadership, Repsol YPF considers that this can be evaluated among other aspects on the basis of the following information reported in Corporate Responsibility Reports:

• Having obtained excellent results and being part of in the renowned sustainability indexes compiled by Dow Jones at a global level (DJSI World) and at a European level (DJSI STOXX), of the Climate Leadership Index (CLI) and the series of indices of FTSE4Good (FTSE4Good global and European) and the FTSE4Good Ibex.

For the third year running, Repsol YPF has been included in the selective indices of DJSI World and DJSI STOXX. In 2008 for the first time the company obtained top marks in its sector on environmental policy and management and protection of biodiversity. Furthermore, it obtained for the second consecutive time top marks for its management in terms of climate change.

In addition, Repsol YPF continues to be listed for the third year running in the Climate Leadership Index (CLI), which lists the 30 best industrial companies situated in the Financial Times 500 (FT500).

The company has been valued as one of the three best firms in the oil and gas sector, and is the only company which in the last three years has maintained its position as one of the first three companies in the sector.

Since 2003, Repsol YPF has also entered the series of indices of the FTSE4Good (Financial Times Stock Exchange Index) of the London Stock Exchange (FTSE4Good global and European) and the Madrid Stock Exchange (FTSE4Good Ibex).

• Adhesion to international voluntary agreements such as Global Compact and the “Caring for climate” (UN Global Compact) and active participation in various initiatives such as the World Business Council for Sustainable Development (WBCSD) and the Proteus Project on biodiversity (initiative of the United Nations Environmental Programme and the World Conservation Monitoring Centre) and in different associations in the sector (IPIECA, ARPEL and OGP, to name a few).

• Technological innovation in order to develop cleaner products and new environmental technologies, which include the Carbon Capture and Storage (CCS); this last through specific projects (CASTOR; CCP2 and TOPCOMBI) which deals with the development of technologies and methodologies in the various stages of a project of this type.

• Development of pioneering projects such as for example, ISO 14064 certification for CO2 inventories and actions aimed at reducing emissions in various company business.

With respect to activities involving the local population with a less favourable economy, the company expects to leave a positive net impact. For this reason, it designed as part of the Corporate Responsibility Master Plan the Community Commitment Programme. This programme establishes various actions to provide company professionals with an action framework to carry out actions showing a commitment to the community in accordance with strategic business objectives and the real needs of the communities where they are working.

As per this commitment, the Policy of Relations with Indigenous Communities were approved. These policies intend to strengthen the Repsol YPF’s approach to promote dialogue and understanding between the company and the communities in the surroundings of the operations, and to respond to the specific needs in the different communities through the elaboration of Community Relations Plan. These policies are also part of a group of internal regulations that allows the company to know the reality of the communities that are affected by the company’s operations and facilitate the understanding and dialogue between the company and the communities.
QUESTION 4:
Repsol YPF is currently exploiting or has plans to exploit, numerous offshore oilfields. Since deep sea marine habitats are highly susceptible to pollution: What kind of contingency plans has the company designed in order to prevent damage to ecosystems? What alternative exploration systems has the company developed in order to avoid the use during the exploration phase of acoustic waves which can cause serious damage to populations of endangered species such as cetaceans?

In order prevent any harm to marine ecosystems, Repsol YPF provides contingency plans in all its offshore exploration and production activities (E&P) (geophysical, drilling and production operations). Said plans are developed according to Repsol YPF’s internal regulations in accordance with best practices in the sector, and these include identification and systematic evaluation of the safety and environmental risks in the preparatory stages of the project and the establishment of measures to reduce or eliminate said risks and impacts during the activity (preventive actions) as well as being prepared to respond to any incident occurring (corrective actions).

Specifically, Repsol YPF regulations stipulate that Contingency Plans should include the following as a minimum:

- Review of legislation and regulations.
- Risk assessment of the project.
- Identification of sensitive areas.
- Selection of response strategies.
- Modelling of the spill trajectory.
- Identification of the equipment required for containment and recovery of the spill.
- Modelling of the discharge of drilling waste onto the sea bed.
- Training and skills plan for personnel involved.
- Emergency drills plan.
- Organisation, communications, and control.
- Agreements established with external organisations on spills response.

Since 2007, Repsol YPF has set up contracts with specialist companies which provide advisory, training and spill response services for all its Exploration and Production activities at a global level. By way of an example, agreements have been entered into with Oil Spill Response Limited (OSRL) for international offshore drilling and activities at the Casablanca rig (in Spain) and with Clean Caribbean American (CCA) for the offshore rigs operating in Trinidad and Tobago.

Use of acoustic waves during the exploration stage.

The effect of acoustic waves arising from geophysical activities on marine mammals, due to its complex nature and the current lack of scientific studies, remains an issue on which there is very little knowledge. For this reason, since 2006, the E&P industry, through the International Association of Oil and Gas Producers OGP (www.ogp.org.uk) has been spearheading the “Sound and Marine Life” project (www.soundandmarinelife.org).

The programme aims to improve knowledge on the potential environmental repercussions of the E&P industry on marine mammals, fish and turtles and to finally establish effective measures for environmental protection in offshore projects. Repsol YPF, as a member of OGP is monitoring this initiative in order to integrate the recommendations and final results in its own activities.

At the same time Repsol YPF is adopting precautionary measures and principles at a global level in all its offshore geophysical campaigns, in which it is compulsory to comply with the “Joint Nature Conservation Committee Guidelines for Minimising Acoustic Disturbance To Marine Mammals From Seismic Surveys (2004)” (www.jncc.gov.uk/pdf/Seismic_survey_guidelines_200404.pdf), which describes the requirements and actions designed to minimise acoustic impact on marine mammals. The Standard includes the following measures:

- The presence of a qualified observer of marine mammals during test drilling.
- The implementation of a procedure for the “soft start up” of air canons.
- Procedure to be followed in the case of sighting of marine mammals and their behaviour observed at least 500 m from the source of sound.
- The report of marine mammal sightings and behaviour observed.

Proof of Repsol YPF’s undertakings are the four seismic campaigns carried out in Argentina and Brazil in 2007. All the campaigns were accompanied by biologists in the surveillance vessel which monitored the marine mammals in the areas under study, registering the species sighted (dolphins, whales and sea lions, the last species in Argentina only) the number of individuals present and their behaviour. These studies provide a very important source of information for the study of the distribution of species in off shore coastal areas and their behaviour in the light of marine operations.

Detailed information on these campaigns may be consulted in Repsol YPF’s Corporate Responsibility Report 2007 and on the web page of the World Business Council for Sustainable Development (WBCSD) (www.wbcsd.org) (the project was presented as a case study in the World Conservation Congress at Barcelona last October 2008).
**QUESTION 5:**
In its section on climate change, the Corporate Responsibility Report 2007 refers to the company’s Carbon Plan and its objectives of reducing greenhouse gas emissions with respect to the business as usual scenario. The report, however, does not provide any details on this scenario, how it was calculated, or how these objectives are applied to the company’s absolute emission targets, which have been increasing since 2005. Could you provide some details on the company’s objectives for reducing absolute emissions? This Committee recommends that when objectives or achievements are mentioned in respect of emission reductions in comparison with the business as usual scenario, the company should also specify the evolution of absolute emissions and disclose this information grouped together rather than in different parts of the report.

As reported in the Corporate Responsibility Reports over the last few years, in 2005 Repsol YPF established the strategic objective of reducing one million tonnes of CO2eq over the 2005-2012 period in respect of the business as usual scenario.

The business as usual scenario is calculated by estimating future emissions in two different scenarios, one with minimum emissions and another one with maximum emissions, taking into account external scenario hypotheses (e.g., economic activity scenario) and internal conditions (e.g., maintenance turnarounds, production scenarios, etc.). That is, a scenario with low emissions takes into account a situation of low economic activity combined with the occurrence of several turnarounds due to operational problems, etc. A high emission scenario considers a scenario of strong economic activity combined with the absence of operating problems enabling the plants to function at full capacity. The business as usual scenario is somewhat in the middle, considering the most probable and realistic situations.

The scenario is reviewed on an annual basis in the event that there are any changes in the scope of the emission projections (acquisition of assets, disposal of assets, assignment to third parties, etc.) as contemplated in the GHG Protocol “A corporate accounting and reporting standard” by the World Business Council for Sustainable Development and its adaptation to the oil and gas sector “Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions” (IPIECA, OGP and API, December 2003).

When the company defines an emission reduction target in respect of the business as usual scenario, what it acquires is the commitment to achieve emission reductions exceeding the variations resulting from the conditions of the external scenario or the internal operational conditions. That is, only effective reductions achieved as a result of the deliberate intention of reducing such emissions which would not have been achieved otherwise, are considered as meeting the objective, without including specific reductions as a consequence of plant turnarounds, maintenance of production facilities, lower production periods due to unfavourable economic scenarios, etc.

Accordingly, there could be years when the company’s absolute emissions increase despite achieving maximum target reductions.

In relation to the impact of this objective on the company’s absolute emissions, in the 2005-2012 period, emissions should be one million tons of CO2 less than the amount that would have existed otherwise had this objective not been set.

In the Corporate Responsibility Report 2008, data on absolute emissions and fulfilment of targets will be disclosed in a more aggregate fashion. In addition, information will be provided on compliance with the objective prior to 2012 and a more ambitious target will be set: reducing CO2 equivalent emissions by an additional 1.5 million tons over the 2009-2013 period in comparison with the business as usual scenario.

**QUESTION 6:**
The Corporate Responsibility Report includes information on the substantial reduction of spills over the past year. As other companies in the industry are doing already, it would be advisable to include a list of the spills and the main reasons thereof in this report. What were the main spills that occurred over the past year, the reasons, and the main environmental and social consequences?

The most significant spills in 2008 occurred in the Exploration and Production activity in Argentina. These were not the result of Repsol YPF’s activity but were caused by causes beyond the company’s control.

The spills occurred in the Las Heras and Chubut C. Seco fields (Santa Cruz province, Argentina) during the labour strikes that took place in May which caused 160 oil and gas spills totalling approximately 2,400 tons and spread over a 36,000 m² area. Cleaning operations were carried out immediately, removing and transferring the contaminated soil to deposits provided by the competent authority for its subsequent biological treatment. Soil that has been treated to an acceptable level of remediation, according to local authorities, is periodically transferred and used mainly in roads and quarries.

REPORTING TO THE IEC
Other minor spills occurred in 2008:

- EyP Block 16 (Ecuador): 76.8 tonnes of crude oil were spilled in January due to the corrosion of an oil pipe, affecting an area of 7.9 hectares. The spill was immediately reported to the Dirección Nacional de Protección Ambiental Hidrocarburífera (DINAPAH) (National Directorate of Oil and Gas Environmental Protection) and to the National Oil and Gas Directorate. Since then, measures were implemented to restore the affected areas to the conditions existing prior to the spill. The remediation plan submitted to control organizations, which includes measures involving recovery, cleaning, biological treatment, and revegetation, is being executed according to the established timetable. As contemplated in this program, if the measures contemplated in the plan are applied to the entire affected area, the soil could be restored to the conditions existing prior to the spill.

- Tarragona Refinery (Spain): A 67.5 tonnes gasoline spill occurred in May due to a leak in the closing mechanism of the stirrer in the beach tank located within the company’s facilities, contaminating the soil to a lesser degree due to the volatility of gasoline. Contaminated soil in the spill area was transferred to a temporary waste storage facility and subsequently recycled as a by-product at a cement manufacturing facility. The incident did not have any social impact since it was limited to the refinery facility.

QUESTION 7:

Repsol YPF announced its objective of producing one million tons of biodiesel and bioethanol by 2010 and has expressed its commitment of ensuring that it would be produced from sustainable sources. How does the company plan to guarantee consumers the traceability and the certification of these fuels that have such a significant environmental and social impact? It is also important provide details on the hydric footprint of the products produced by company and its subsidiaries, especially with regards to biodiesel. Could you provide details on this impact? What is the hydric footprint of Repsol YPF and of its various products?

With regards to how the company will be able to guarantee the sustainable source of its biofuels to consumers, Repsol YPF will comply with all national and international legal requirements. These requirements are defined in the recently approved Directive of the European Parliament and of the Council on the Promotion of the Use of Energy from Renewable Sources, which has to be legally developed to enable its applications, expected to be completed over the course of 2010. These sustainability criteria mainly refer to the percentage reduction of greenhouse gas emissions (GGE) produced by the use of biofuels and the nature of the land in which biomass in produced: biodiversity, carbon stock, changes in the use of the land, and others.

As to the company’s hydric footprint, most of Repsol YPF’s external captured water is for the refining activity (the Corporate Responsibility Report 2007 includes detailed information on external captured water by the various activities). Refining processes regularly use water for different purposes, such for cooling purposes, as a solvent, for cleaning, for producing steam, etc. Part of this water is recovered and recycled, part of it evaporates into the atmosphere in open refrigeration systems, and part is discharged outside following the necessary treatment processes to comply with quality requirements for discharges. In many cases, the applications for which water is used provide services to various refining processes. In addition, most of the refining processes are the same ones used in the production of various products. Therefore, it is not possible to provide a breakdown of water consumed according to the type of product and it is preferable to refer to water consumption according to the processed raw material.

In 2007, external captured water at Repsol YPF refineries totalled 76.5 million tons and the amount of processed oil was 56.9 million tons, as reported in the Corporate Responsibility Report 2007 and in the 2007 Annual Management Report. There is no agreed standard in the sector for calculating the hydric footprint index. Even so, based on the aforementioned data, on our estimates the hydric footprint was 1.34 m³ of water for each ton of processed oil, expressing the hydric footprint on the basis of external captured water in respect of the processed raw material. Of the 76.5 tonnes of external captured water, 38.9 million tonnes of water were discharged after being properly treated and, therefore, the net amount of water consumed was 37.6 million tonnes.
QUESTION 8:
In 2003, Repsol YPF joined the Extractive Industries Transparency Initiative (EITI) which purpose is to promote reporting transparency in the extractive industry. Now that the Spanish Government joined EITI in December 2007, would Repsol YPF actively support some of the initiatives detailed in the Parliamentary Recommendation of December 2005 on Transparency in the Extractive Industry to the extent that it has not been implemented in Spain yet. If affirmative, what would be the measures that it would support as a priority?

Repsol YPF has joined the Extractive Industries Transparency Initiative (EITI), a multilateral initiative that promotes the transparency of information on revenues and payments related to the production of natural resources. The company has implemented specific measures to support this initiative. On 26 May 2008, Repsol YPF was actively involved in a panel of experts at a seminar organized by the Ministry of Foreign Affairs and Cooperation in Madrid coinciding with the EITI Board Meeting to promote EITI.

The company is an active participant in this initiative in countries where it operates and, as these countries start to show their support, it commits resources to ensure that it can play a role in the working groups that may be formed. Of the countries where Repsol YPF operates, Equatorial Guinea, Kazakhstan, Liberia, Mauritania, Nigeria, Peru, and Sierra Leone are at the most advanced stage in respect of this initiative. We are members of the working group created in Peru and seek the opportunity of being part of other working groups as these are created.

Repsol YPF is committed to progressing jointly with EITI in promoting transparency among companies in the extractive industry and in the governments of countries where it operates to fight poverty and to promote socioeconomic development in countries rich in natural resources.

Repsol YPF believes that as governments, social agents, and companies are able to join their efforts to achieve transparency in payments, it will be possible to fight corruption and bribery internationally and, consequently, reduce poverty.

QUESTION 9:
The relative weighting of women in the Repsol YPF workforce increases very slowly, especially at senior levels, where there are much fewer women in comparison to men. In 2007, women accounted for 7.85% of the total managerial positions and 23.44% of those classified under the category of “operators”: a) To what extent is this difference, which seems to remain unchanged, at least over the past three years, due to women’s lack of qualifications for the job? Is the principle of equality and non-discrimination in relation to gender guaranteed when applying for the same job? b) In countries women play a discreet role in society because of cultural, religious, or other reasons; does Repsol YPF strive to gradually incorporate women in the company’s workforce? c) Does the company’s action plans contemplate the reduction of working day for men and women in order to encourage work-life balance?

This difference is not due to the lack of qualifications for a job. The reason for this is the degree in which women are massively joining the workforce, which is a relatively recent phenomenon and most noticeable in companies in the industrial energy sector such as Repsol YPF. In 2008, the percentage of women working in managerial positions in the company was 10.2%. The positive trend is underscored by the nearly 40% increase in women in managerial posts in the past three years.

In 2008, the percentage of women in Sub-Group II went from 1,963 (26.1%) to 2,266 (27.6%), a category in which almost 25% of new management appointments were women. In Sub-Group I, the percentage of women went from 312 (15.6%) to 349 (16.4%), and almost 19% of managerial appointments were women.

The percentage of new women professionals who joined Sub-Group II in 2008 was approximately 37%. These figures ensure that in the medium and long term, and following the necessary training and development processes, more women will hold senior management positions.

As an international company, Repsol YPF believes that diversity is a competitive advantage. Accordingly, it has implemented initiatives to achieve greater equal opportunities in attracting, retaining, promoting, and developing talent regardless of gender, age, nationality, or professional profile. The first of these initiatives was implemented in September 2007 when the company created the Diversity and Work-Life Balance Committee led by a member of the Executive Committee and comprising senior managers from all of the company’s corporate divisions. This committee counts on the support of Senior Management, which represents a strong backing for the development and implementation of projects and measures to improve diversity management.

The Diversity and Work-Life Balance Committee defined Repsol YPF’s vision in relation to diversity as follows: Repsol YPF aims to become a corporate reference in diversity management, with its teams reflecting the diversity in the communities and markets where it operates.

At Repsol YPF, diversity will be a key factor for attracting, developing, and retaining the best talent, and this will become a competitive advantage for managing the businesses in which it operates.

The principles underpinning the initiatives to promote diversity at Repsol YPF are:
1. Respecting and appreciating differences is an attitude, a way of doing things. It is a way of interrelating and a management style.
2. For the organization, people management that promotes and appreciates diversity (visions, ideas, gender, nationality, age, professional profiles, disabilities, etc.) represents a competitive advantage.
3. Appropriate management of diversity implies the incorporation, development and promotion of the best talent, regardless of their origin (profile, gender, nationality, etc.).
4. People-management tools and processes should be aligned to the requirements that come hand in hand with diversity.
5. The various professional groups, including management, should be a good reflection of the diversity existing within the company.
Gender Equality and Promotion of Women related initiatives are as follows:

**Remuneration equality:**
- Repsol YPF understands that diversity enriches the company and, accordingly, is committed to equal opportunities within the organization. The Chief Executive Officer formally notified managers of the company’s commitment to equal opportunities in salary reviews.

- In 2008, a remuneration audit was conducted to obtain a diagnosis of the actual situation. It was noticed that no differences existed in the salaries of workers who were less than 40 years of age in this respect, confirming the trend towards equal pay over the last few years.

- Appoint women in promotion and development processes and ensure the participation of women in training programs for high potentials.

- People Review: in these sessions, the business/area committees meet to identify high potentials among their collaborators, reviewing the strengths and areas that could be improved in order to design the development plans accordingly. In 2008, the review included a total of 876 women:
  - 26 managers (73% of the group)
  - 273 Sub-Group I, (65% of the group)
  - 577 Sub-Group II, (15% of the group)

- Development Centre: this program makes it possible to learn about employees’ potential, interests, and aspirations. In 2008, participation increased by more than 100%:
  - 16 Development Centres were launched.
  - Of the 14 generic ones, 7 were exclusively for women and 7 were mixed.
  - 170 people participated:
    - 60 men, 35% of the total.
    - 110 women, 65% of the total.

- Repsol YPF is a company that strives to ensure equal opportunities and that there is no discrimination based on gender. In this respect, the parties to the IV Framework Agreement agreed to an Equal Opportunity Plan for men and women included in Annex III.

- Furthermore, Section 5 of the aforementioned Agreement sets out the following:

- *The parties to the IV Framework Agreement will promote the analysis and promotion of initiatives in relation to the principle of “Equal Opportunities” and shall implement active integration policies. The parties, in this respect, reached the following agreements:*
  - Job offers will be drafted in such a way that nothing will be mentioned that could lead anyone to believe that the offers were intended exclusively for members of one or the other sex.
  - Selection procedures for promotions will abide by the principle of equal opportunities.
  - In recruitment, when merit and capability are the same, preference should be given to hiring the gender less represented in the respective professional group.
  - In training, the principle of opportunity will be promoted in training initiatives referring to interpersonal relations within the Organization.

- The Code of Good Practices was executed with the most representative trade union, which code contemplates the aforementioned subject.

- Repsol YPF’s vision on diversity and equal opportunities is of a global scope, covering all countries where the company conducts its activities. Day-to-day efforts are aimed at ensuring that all people management processes and tools are aligned to this vision.

- Even though it applies to all company employees, the commitment to work-life balance is a way of supporting and reinforcing the integration of women in places where access to this group has been traditionally difficult. Measures have been implemented to this purpose, such as flexible work schedules, turning off the lights in offices, rationalising meeting hours, providing support to employees, and telework.

- Repsol YPF operates in more than 30 countries and strives to enhance and consolidate its global vocation with the only possible culture: one in which everyone enjoys equal opportunities.

- In order to encourage work-life balance, Repsol YPF has several measures that apply to its employees. Section 6.2 of the IV Framework Agreement contemplates the following:

- **Nursing:**
  - Female workers, who nurse a child less than 9 months old, will be entitled to a one-hour break which could be divided in two. At her choice, she may substitute this right by reducing her working day by one half hour for the same purpose. The worker will decide the work schedule and the period for enjoying this nursing permit. This right could be enjoyed by the father or mother if both of them work. Women working in shifts could substitute the one-hour break for a one-hour reduction in their working day.
  - This one-hour break could be accumulated into a single period that could be enjoyed immediately after maternity leave.

- **Reduction of working day due to family reasons:**
  - Anyone who is a legal guardian of a child less than 8 years old or of an individual with a physical or psychological disability or a sensory impairment who does not perform a remunerated job, will be entitled to a reduction in their work schedule, with a proportional reduction in the salary between one fifth, minimum, to a maximum of half the duration of the working day.

  - In the event that the worker is enjoying the nursing leave, she will be able to accumulate the one-hour leave (remunerated) with the reduction in the working day as described in this section.

  - The right to a reduction in the work schedule of at least one-fifth and the maximum of one-half of the working day also applies to those who must take care of a direct family member up the second degree of consanguinity or affinity, who for reasons of age, accident, or illness cannot look after themselves.

  - The reduction in the working day contemplated in this section is an individual right of workers, men or women. Nevertheless, if two or more workers in the same company are entitled to this right, with the same person giving rise to such right, Management could restrict the simultaneous enjoyment thereof due to justified reasons if it affects the functioning of the company.
Paternity leave:
A paternity leave of 10 calendar days will be granted to enjoyed immediately after birth.
Employees working in shifts will be guaranteed at least 5 natural days’ paternity leave. This leave replaces and offsets any other in force pursuant to collective agreements.

In the event that any legal amendments are enacted, the Framework Agreement Monitoring Committee will meet to discuss its adaptation.

Extended leave of absence to take care of family members:
Workers will be entitled to an extended leave of absence of no more than three years to take care of each child, biological or adopted, or foster children, either permanently or pre-adoptive, as of their date of birth or, if applicable, the court or administrative ruling.

Workers who take care of a family member up to the second degree of consanguinity or affinity who, for reasons of age, accident, or illness cannot look after themselves and do not perform any remunerated activity, will also be eligible for an extended leave of absence of no more than one year.

The extended leave of absence contemplated in this section is an individual right of workers, men or women. Nevertheless, if two or more workers in the same company are entitled to this right, with the same person giving rise to such right, Management could restrict the simultaneous enjoyment thereof due to justified reasons if it affects the functioning of the company.

When another person gives rise to a new right for a new extended leave of absence the beginning of such leave of absence will imply the end of the previous one that had been enjoyed up to that date, if any.

The period during which the worker enjoys the extended leave of absence as contemplated in this section will be counted for seniority purpose and the worker will be entitled to attend professional training courses, which will be notified by the manager, especially after the worker returns to work. During the first year, the worker will be entitled to reserve his post, after which, the reservation will refer to a job in the same professional group or equivalent category.

**QUESTION 10:**
The Corporate Responsibility Report describes the composition of the company’s Ethics Committee which is responsible for receiving reports on issues referred to in the Ethics and Conduct Regulation. No employee representative who is not a manager or director has a seat in this Committee. Has the company considered enlarging the Committee to include the representation of employees who are not members of this group, for example, workers who represent any of the trade unions?

The Ethics Committee is the body in charge of managing the oversight and compliance system of the Ethics and Conduct Regulation of Repsol YPF employees, created according to the Board of Directors and the Executive Committee.

Considering the functions entrusted to the Ethics Committee, the Company believes that it is more appropriate for the members of this Committee (whose appointment and replacement is made by the Executive Committee and who do not receive compensation for sitting in this Committee) to be company directors who:

- a) Can contribute, from their respective business areas, to investigating reports submitted to the Committee and to implementing resolutions and enforcing the agreements of the Committee.
- b) Have sufficient decision-making capacity within the Company.
- c) Represent the company’s four non-business Corporate Divisions: General Counsel and the Board of Directors, Economic-Financial, Communications and the Chairman’s Office, and Human Resources.

This is the reason why the Ethics Committee is made up of the Managing Director of Communications and Head of the Chairman’s Office, the Managing Director of Human Resources, the Director of Audit and Control, and the Corporate Director of Legal Services.

Furthermore, Article 29 Data Protection Working Group (European Union) in its Opinion 1/2006 of 1 February 2006 stipulates the internal organization in charge of managing programs involving the reporting of irregularities should be made up of especially trained and dedicated personnel, limiting the number of its members, and subject to specific contractual confidentiality obligations.
QUESTION 11:
Most of the resources spent in social programs of general interest are earmarked, on one part, for promoting educational and training programs and, on the other part, for promoting community development: What specific programs have been carried out in relation to community development? b) What is the breakdown of training programs by regions, segments of the population (youth, women, ethnic groups, etc.), and specific initiatives (training, learning skills)? c) Are there indicators to measure the effectiveness of the company’s actions in relation to the various initiatives undertaken under the various social programs? d) What is the average duration of social programs and what is the commitment to their continuation over time and in the target space (region)? That is, to what extent does the company acquire a commitment to give continuity to its initiatives?

In 2008 Repsol YPF and its foundations allocated 30 million euro to investment projects in the community, 67% of this amount earmarked for Latin America, 30% for Spain, and the remaining 3% for other regions where the company conducts operations.

As to the breakdown by type of project, 35% were education and training programs, 18% programs to promote community development, 16% programs related to the protection and care of the environment, 16% social integration programs, 7% healthcare programs, and 8% cultural sponsorship programs.

More than 1,700 projects were executed in 2008 of which, more than 480 were community development programs, with 400 of these carried out in Latin America. These programs were developed in the communities where the company operates. As part of the community development programs, programs were carried out to support community organizations, infrastructure construction programs, micro-loan programs, and programs to support the creation of companies.

More than 320 education and training programmes were carried out, 170 of which were in Latin America. The types of training programmes range from scholarships to providing support for the education of those who do not have sufficient resources, and support to students with difficult social-family situations to enable them to do their homework when social-family conditions do not contribute to an academic support environment.

Repsol YPF conducts various perception studies at the industrial facilities to gather information on its relations with the communities where it carries out its activities. From these studies, the company also obtain information on the progress achieved by the social projects. Repsol YPF also requests project follow-up reports from the organizations and associations that collaborate with the company in executing these projects. As part of these reports, the company outlines several indicators such as the number of people who benefit directly from the education, training, and healthcare programmes since this enables it to know to what extent the project meets expectations and enables it to analyse any variations.

Depending on the needs of the community and the region, Repsol YPF carries out its social programs, preferably selecting self-sufficient programs. The duration of these projects is determined by the specific needs of the community and the current phase of the projects, and therefore, the duration of certain projects extends to 1, 2, or more years.

QUESTION 12:
In your Corporate Responsibility Report, the company recognises that community relations contribute to the success of the business in the long term and to the development of the communities where it operates. It is mentioned in this respect, that the new policy of relations with indigenous communities will the a “basic pillar underpinning the social license to operate”. How will Repsol YPF apply this policy in the areas where the company currently operates in order to obtain the aforementioned social license to operate referred to in the report? Has a public and transparent procedure been established to ensure compliance with the rights recognised in this policy pursuant to which all stakeholders can be involved in its implementation?

The Policy of Relations with Indigenous Communities, approved in 2008, outlines Repsol YPF’s guidelines to ensure respect of the internationally recognised rights of indigenous communities. This policy complements the Policy of Community Relations and applies to projects where the presence of indigenous communities in the area of influence of the project has been confirmed.

Repsol YPF is committed to respecting and upholding the rights of indigenous people, pursuant to its values and commitments and with the voluntary principles that it has adhered to, as well as international law, treaties, and agreements, whether or not these have been incorporated in the laws of the countries where it conducts operations, particularly the obligations established by the States that ratified Convention 169 concerning Indigenous and Tribal Peoples of the International Labour Organization (ILO), and the Declaration on the Rights of Indigenous Peoples adopted by the United Nations General Assembly. (2007).
Repsol YPF recognises:

- The differential character of indigenous communities, the duty of States to respect and promote their human rights and fundamental liberties and, most importantly, their organizational, economic, and social structures.
- The right to maintain their customs and social practices.
- The right to own property, and the land that they have occupied traditionally as recognised by applicable current legal regulations.
- The right of free, prior, and informed consultation, in good faith, and in a manner appropriate to the circumstances, on the projects affecting them in order to reach agreements or secure their consent on the proposed measures.
- The right to participate, whenever possible, in the benefits generated by the production of oil and gas resources in their lands.
- The right to fair compensation for any damages that they may suffer as a result of these activities; and, in short,
- The right to choose their development model in accordance with the legal framework prevailing in each country.

Repsol YPF is aware of the impacts, positive and negative, and of the opportunities that it can create so that indigenous communities share in and benefit from the activity related to the Company’s projects that can contribute to fulfilling their aspirations for economic and social development.

In order to facilitate public knowledge of its commitment and verification thereof by third parties, and taking into account the compliance with the law prevailing in each country and the aforementioned principles, Repsol YPF adopts the policy and undertakes to:

- Identify in order to learn and respect.
- Promote compliance, dialogue, and agreement.
- Incorporate in its operations the special characteristics entailed by the existence of indigenous communities.
- Prevent risks and mitigate impacts.
- Promote respect and collaboration for development.

This policy is enforced throughout the entire lifecycle of new projects in addition to existing projects in the event of any major enlargement or the dismantling of such projects. With regards to existing projects, Repsol YPF is adapting the practices of ongoing operations to the intent of this policy.

Jointly with this policy, Repsol YPF is deploying the necessary body of regulations to ensure the implementation of these guidelines. In this respect, the Norm contemplating the principles guiding the initiatives and actions in the company’s relations with indigenous communities is about to be approved. The company is also working on reviewing current procedures and guidelines in the different business units to adapt them to the intent of this policy. The company is particularly interested in reviewing the established procedures for dialogue with the community.

**QUESTION 13:**

Regarding Repsol YPF’s occupational health and safety requisites: a) are these requisites applied uniformly in all the geographical regions where the company operates and aligned or adapted to the requisites of each particular country or region? b) Has the company designed a long-term occupational health and safety strategy or action plan with the objective of spreading it throughout its area of influence and beyond the company?

Repsol YPF has defined common occupational health and safety standards for all its operations, regardless of the geographical areas where it carries out its activities. In addition, through its Health, Safety and Environmental Policy the company is committed to complying with the prevailing laws at each location.

Repsol YPF considers training and communication on occupational health and safety a critical activity and, as such, are contemplated in the Safety and Environmental Strategic Lines approved by the Company’s Executive Committee. Based on these Strategic Lines, all of the company’s business units developed their work plans which include training and communication related activities in order to achieve solid safety culture.

Repsol YPF promotes training programs for its own personnel as well as contractors. Training programs for contractors have intensified in recent years to improve control of the risk situations typical of its activities, providing more than 400,000 hours of training to contractors’ personnel in 2008. In addition, the major business units organize meetings with those in charge of safety at contractors to assess compliance with health and safety standards, analyze measures to coordinate activities, propose the corrective measures considered necessary, and discuss other issues.
For example, a training course for contractors on the specific risks entailed at petrochemical plants was conducted at Spanish refineries in 2008. More than 5,800 contractor employees attended the course which focused on several aspects, including work permits, confined spaces, the risks posed by specific chemical products, etc.

Repsol YPF also encourages communication with those living in the areas close to its activities, such as visits to schools and universities, local communities, and other company stakeholders throughout the world, placing special emphasis on safety related issues.

The Company also conducts surveys on the social environment (known as industrial barometers) in the areas of influence of its major industrial complexes, such as the yearly surveys conducted at Spanish refining and chemical facilities. These surveys, which include safety aspects, are carried out for various purposes: diagnose the perception on the company, compare and analyse data with respect to previous surveys, and identify the lines of action/communication for each of the industrial complexes.

In February 2009, the company launched the Advisory Public Panel at Puertollano (Spain) to open a new permanent channel of communication between the local community and the industrial complex. This panel comprises a group of 15 individuals from various segments of society (primary and secondary schools, the university, housewives, neighbour associations, civil servants, physicians, environmentalists, etc.) and three Repsol YPF representatives.

The creation of this citizens’ participation forum was included, at Repsol YPF’s proposal, as one of the requisites for securing the Integrated Environmental Authorization.

Schools, universities, and other stakeholders can visit the company’s major industrial facilities throughout the world which place special emphasis on these aspects and which carry out awareness-building and training activities at educational centres and associations.

In 2008, Repsol YPF approved a set of in-house health and safety management and oversight regulations to ensure that the company’s practices were aligned to the best practices in the industry and that these practices were implemented uniformly in all activities and in all the countries where the company operates.

Several initiatives were outlined to make it possible to establish closer relations with communities and contractors. For example, working jointly with contractors to foster a culture of safety, on the healthcare for those living in the areas close to our facilities (controlling health risks in surrounding areas, coordinating healthcare for isolated communities with deficient healthcare systems) or providing training to healthcare personnel (prepare a training plan, including minimum contents and periodical training activities).

QUESTION 14:
Repsol YPF states that it has signed the Global Compact which contemplates, in its tenth principle, the commitment to fighting against corruption. In this respect, the Report states that the Company is firmly committed to transparency to avoid any corrupt actions: a) How does the company effectively control any possible corrupt action on the part of employees, administrators, or company suppliers? b) How does the company ensure that any possible reports remain anonymous to avoid reprisals? c) What are the measures contemplated in the event of any corruption and/or bribery? Have any corrupt actions been detected at the company? What have been the consequences of such actions?

Section 6.15 of the Ethics and Conduct Regulation for Repsol YPF employees details the measures that all Repsol YPF Group Employees should take to fight bribery and corruption, as well as Repsol YPF’s commitment to promote knowledge of its Ethics and Conduct Regulation among its suppliers and contractors to ensure that the contents thereof are applied as best as possible.

The Regulation also contemplates that the Company will not accept any type of reprisals against employees who report any alleged breach of this Standard in good faith.
Breach or violation of the Ethics and Conduct Regulation that constitute a job misdemeanour will be sanctioned in accordance with prevailing labour regulations notwithstanding any other obligation that could be incurred.

To ensure compliance with the provisions of this Regulation, employees and any other party could submit, in a fully confidential manner, any queries on the Ethics and Conduct Regulation and report any breach or violation of the conducts contained therein, through the company’s intranet or its website. Such queries or reports should be addressed to the Ethics Committee, the body in charge of managing the oversight system and of ensuring compliance with the Regulation.

In addition, the Committee has a postal and an e-mail address (comisiondeetica@repsol.com) which any interested party can use to contact it.

As to forwarding anonymous reports through the above-mentioned communication channels, the Article 29 Data Protection Working Party (E.U.) in its Opinion 1/2006 of 1 February, recommends that, as a general rule, only identified reports should be processed although it accepts the possibility, on an exceptional basis, of processing anonymous reports.

The Spanish Data Protection Agency, however, in its opinion on creating corporate whistle blowing systems, recommends that the system should only process reports in which the party is identified so as to ensure the quality of data.

Accordingly, in the reports sent to the Ethics Committee through the channels set up for this purpose, the party filing the report should be identified, even though this does not preclude guaranteeing total confidentiality when handling these reports.

In the event that the Ethics Committee received information on situations in connection with cases of alleged corruption and/or bribery, the Committee would determine the course of action to take and, if this was the case, perform the necessary investigations and propose the corresponding measures to address such situations.

The Ethics Committee reports the measures that it implements to the Repsol YPF Audit and Control Committee.

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

In addition to other venues, such as direct communication with the hierarchical line, the Ethics Committee or the Audit Committee, any founded suspicion on possible wrongdoings in relation to the company’s activity can be reported to the Corporate Security Unit.

The aforementioned Corporate Security Unit periodically reports to the Ethics Committee any particularly relevant issue has knowledge that could represent a breach of the Ethics and Conduct Regulation.

To date, no corruption within the company has been detected through the Ethics Committee.

**QUESTION 15:**

Among the functions of the Strategy, Investments and Corporate Social Responsibility Committee is to know and guide the policy, objectives, and guidelines of the Repsol YPF Group in relation to CSR? Has this Committee prepared a report on its Activities in 2007? If this is the case, what were the specific CSR issues covered in this report? Has this Strategy, Investments and Corporate Social Responsibility Committee hired an external CSR advisor in 2007? If so, could you provide details in this respect?

At its meeting of 19 December 2007, the Repsol YPF, S.A. Board of Directors approved the amended text of its Regulations which, among other issues, contemplates that the Strategy, Investments and Competency Committee will be known from now on as the Strategy, Investments and Corporate Social Responsibility Committee and that it would be assuming new competencies with regards to proposals and reporting in relation to these matters.

Since only a few days had elapsed from the date on which the Strategy, Investments, and Corporate Social Responsibility Committee had been formed (19 December 2007) this Committee did not hold any meetings in 2007 and, consequently, did not draft any report on the activities carried out in the above-mentioned year.
Los trabajadores que aparecen en esta publicación pertenecen al Grupo Repsol.