

# Corporate Responsibility Report 2011



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# Interview with the Chairman and Chief Executive Officer

## **Is the sustainability agenda a lesser priority today?**

Sustainability is an essential objective. It is true that there is great pressure to resolve pressing issues and that this can take attention away from the sustainability agenda. However, we have grave doubts about whether our planet has sufficient raw materials and natural resources to supply the new middle classes, and sufficient capacity to absorb the associated environmental impacts. Our ability to deliver long-term welfare and increased human development depends on the sustainable management of resources, particularly water, energy and land. Overcoming the crisis with more of the same would be a Pyrrhic victory; it would set us further away from resolving the fundamental problem. We must take advantage of the situation to make important changes to the growth paradigm, with a clear focus on the frugal use of resources.

## **Is the growing demand for energy the problem?**

The development model of industrialized countries has been based on access to natural resources at highly economical costs. The inexorable process of urbanization throughout the world entails population growth and changes in consumption patterns. This is leading us to the threshold of a new global energy model, which must necessarily be more efficient. We must simultaneously meet growing demand, deliver universal access to energy and ensure global climate stability. Against these variables, it is essential to reduce the energy associated with economic growth, reducing intensity and increasing energy efficiency, and decarbonizing our primary energy sources by using energy resources with a lower carbon content.

## **What are the consequences of inaction?**

If we do not change our production and consumption patterns, there will be economic, social and environmental consequences. A 10% increase in the price per barrel of crude oil means 0.25% less global economic growth. Oil prices have increased by 400% since 2000, in line with other raw materials, and there are no indications that this trend will decline. Unfortunately this means that the countries that most need to grow are those that will find it most difficult. The social consequences are exemplified by the Arab Spring; a cry for freedom, yes, but precipitated in large measure by a major food crisis and persistent extreme poverty. The UN expects that we will continue to mourn the loss of 1.5 million children each year due to lack of sanitary infrastructure and drinking water. This is a real situation that exists alongside our development model based on the intensive use of resources. Regarding the environment, the stress caused by resource demand poses a serious risk to plans to rein in climate change, with consequences that are difficult to predict.

## **Are there any unexpected changes ahead?**

Of course. Change in itself is the new scenario. In order to adapt, first we must accept that the usual way of doing things is no longer valid. We must transform ourselves to do them another way. Innovation is the key to resolving the dilemma of the environmental footprint of development. We must focus on concepts such as frugal innovation, which seeks to maintain and extend levels of welfare with the lowest possible use of natural resources. Truly transformative changes will come from creative people who are not afraid to take risks, people who understand the value of diversity, of multiculturalism, of flexibility. Companies must be diligent in finding and cultivating this talent. We must also base progress on cooperation as much as on competition, and regain society's trust by opening up to public scrutiny, committing ourselves to transparency and respect for human rights and the fight against corruption.

**What would you highlight with regard to Repsol's sustainability performance in 2011?**

We are currently the most sustainable oil and gas company in the world according to the Dow Jones sustainability index and, without wanting to be complacent, this annual report is full of data that point towards the consolidation of a positive trend in our contribution to sustainable development. We have created national Corporate Responsibility committees in Spain, Bolivia, Ecuador and Peru, which will be responsible for coordinating and promoting all matters related to sustainable development in these four countries. As regards safety, we are continuing to improve significantly, with a lost workday injury frequency index 20% lower than last year. In 2011 we have established impact assessments for all projects, which reflects our philosophy of operating with a preventative approach to the potential impacts of our activities. Moreover, at a time in which people value a job so much, the number of people who work at Repsol has increased and the percentage of women continues to improve, including among our executives. Finally, we must be grateful that our customer satisfaction rating has improved in all countries and all our businesses in 2011.

# Summary of our performance in 2011

## 2011 Indicators

This summary table shows the most notable data on social, environmental and economic aspects of our activity.

<b>Economic</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Investments (€ millions)	9,003	5,106	6,255
Investments in R&D (€ millions)	75	71	82
Tax paid (€ millions) <sup>1</sup>	13,890	16,168	16,387
Net profit (€ millions) <sup>2</sup>	1,559	4,693	2,193
Financial aid received from governments (€ millions):			
- Net capital grants	124	110	118
- Operating grants	192	227	72
<b>Environmental</b>	<b>2009</b>	<b>2010</b>	
Total energy consumption (10 <sup>6</sup> GJ)	312,78	298,65	291,12
Direct emissions of CO <sub>2</sub> equivalent (millions of tons) <sup>3,4</sup>	24.08	23.34	23.13 <sup>5</sup>
Marketing of biofuel (kilotons) <sup>6</sup>	660	1,449	1,770
Primary emissions into the atmosphere – SO <sub>2</sub> (tons) <sup>4</sup>	72,167	63,042	56,613
Primary emissions into the atmosphere – NO <sub>x</sub> (tons) <sup>5</sup>	89,099	90,124	79,069
Primary emissions into the atmosphere – NMVOCs (tons) <sup>4,7</sup>	37,191	37,130	33,265
Pollutants discharged – Hydrocarbons (tons) <sup>8</sup>	230	193	167

<sup>1</sup> This amount includes the tax paid, as well as collected from the Repsol YPF Group excluding Gas Natural Fenosa.

<sup>2</sup> 2010 included the capital gain recorded as a result of the agreement reached with Sinopec in Brazil (€2,847 million)

<sup>3</sup> In order to establish a common basis for comparison over time, all prior years' emissions have been adjusted in line with changes in the company's asset structure. The criteria used for adjusting this baseline are included in the oil industry guidelines for greenhouse gas reporting (API/IPIECA/OGP). In late 2010 exploration and production activities of Bermeo in Spain were transferred; therefore the inventories of 2011 and earlier years have been adjusted, eliminating emissions from the facilities sold.

<sup>4</sup> For data on emissions from mobile sources, only those associated with transport itself are included.

<sup>5</sup> Data from 2011 include N<sub>2</sub>O emissions verified as per the ISO 14064 standard

<sup>6</sup> Includes the quantities of biodiesel, bioethanol and hydrobiodiesel marketed

<sup>7</sup> For fugitive and vented gas emissions, only those that have been obtained from direct measurements or mass balance have been included

Amount of hydrocarbon spilled which affects the environment (tons) <sup>9</sup>	994	923	1.391
Number of hydrocarbon spills greater than one barrel which affect the environment <sup>10</sup>	1,328	1,618	1,670
Hazardous waste managed <sup>11</sup>	218,738	403,882	507,776
Environmental investments (€ millions) <sup>12</sup>	246	137	622
External water withdrawal (thousands of tons)	115,266	115,805	116,220

<b>Social</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Repsol personnel (number)	33,633	36,323	39,622
Lost time injury frequency rate (employee and contractor staff) <sup>13</sup>	1.4	1.2	0.9
Training in safety and occupational health (hours)	234,460	186,982	193,760
Number of deaths	9	5	4
Persons covered by collective bargaining agreement (percentage)	62	62	58
Women on staff (percentage)	26	27	27
Women in management posts (percentage)	11	11	12
Women on the Board of Directors (number)	2	2	2
Total turnover rate (percentage) <sup>14</sup>	7	8	7
Investment in training (€ millions)	13.02	14.24	21.03
Training per employee (hours)	30.31	34	39

<sup>8</sup> The 2009 and 2010 data have been modified due to improving the calculation methodology in exploration and production operations in Trinidad and Tobago

<sup>9</sup> Spills greater than one barrel which affect the environment are reported, including those arising from events external to the company, which in 2011 came to 644 tons.

<sup>10</sup> Spills greater than one barrel which affect the environment are reported, including those arising from events external to the company, which in 2011 came to 58.

<sup>11</sup> Hazardous waste treated, including that produced from processing contaminated soil.

<sup>12</sup> Includes investments to improve the environmental quality of products.

<sup>13</sup> Measured as the number of lost time accidents and fatal accidents accumulated during the year per million hours worked.

<sup>14</sup> Total persons leaving the company / total staff on December 31 of each year.

Repsol staff who receive performance evaluation (percentage)	39	44	51
Disabled personnel (number)	544	599	527
Teleworkers on staff (number)	516	691	818
Incidents concerning discrimination (number) <sup>15</sup>	0	4	1
Voluntary social investment (€ millions)	30.25	29.93	29.36
Local purchases / total purchases (percentage) <sup>16</sup>	85.17	85.41	88.95
Evaluations of the performance of contractors and suppliers (number)	1,306	1,456	1,896
Audits on contractors and suppliers (number)	967	798	821
Expenditure on private and public security (US\$ millions)	43.1	67.3	86.9
Litigation due to allegations of anti-competitive behavior (Number of cases initiated) <sup>17</sup>	0	0	0
Communications received under the Ethics and Conduct Regulation (number) <sup>18</sup>	26	131	212
Dismissals related to failures to comply with the Ethics and Conduct Regulation (number)	38	25	81
Complaints from customers (number) <sup>19</sup>	93,238	625,226	519,108

<sup>15</sup> This indicator refers to verified and investigated incidents.

<sup>16</sup> Local purchases refers to purchases made to those suppliers based in the same country as the country of activity.

<sup>17</sup> Excludes information on YPF.

<sup>18</sup> 2009 data includes the communications received by the Ethics Committee. That for 2010 and 2011 includes communications under the Ethics and Conduct Regulation received through several channels, including the communication channel with the Ethics Committee.

<sup>19</sup> 2009 data excludes complaints in Chile and Peru.

## Our progress against our 2011 objectives

The objectives detailed below are developed under the Repsol Sustainability Plan.

2011 objectives	Progress achieved <sup>20</sup>
Reinforce knowledge of the Ethics and Conduct Regulation	In 2011 we worked to define the contents of our online course on the Ethics and Conduct Regulation (ECR), which will be completed in 2012. The course will include a final assessment of knowledge gained through the course.
Promote internal reporting of possible behaviors contrary to our Ethics and Conduct Regulation to the Ethics Committee	<p>We carried out a communication plan was to remind our employees of the Ethics and Conduct Regulation and the functions of the Ethics Committee. Two specific communications were sent through the corporate intranet:</p> <ul style="list-style-type: none"> <li>- An internal note was posted regarding the key behaviors included in the Ethics and Conduct Regulation.</li> <li>- Information was shared regarding the functions of the Ethics Committee in relation to consultations and investigating alleged behaviors contrary to the Ethics and Conduct Regulation.</li> </ul>
Raise our ability to act and always make decisions in favor of human rights	We have developed an online training course on human rights, which will be available to all employees in 2012. The course is estimated to last 40 minutes.
Update our Exploration and Production policies regarding human rights	Upstream area compared its policy on Environmental, Social and Health Impact Assessment (ESHIA) against this new corporate policy. This analysis allowed us to identify the differences between this and the new policy, which include human right matters, During the course of 2012, the Upstream area will continue to work on formally reviewing this and other related policies and on implementing all of them, to learn about and promote the new human rights requirements that have been laid down companywide.
Modify Exploration and Production processes so that human rights are more integrated into our business operations	Following the approval of the Corporate Policy on Environmental, Social and Health Impact Assessment (ESHIA) in November 2011, Upstream is working in 2012 to review the Integrated Project Management system to incorporate aspects not currently included.
Validate knowledge on employee opinions and expectations of the company	On 26 April, we launched a new edition of our work climate survey among Repsol employees, with a participation rate of 82% of staff (permanent staff excluding YPF). The survey results revealed that recognition, resources to carry out work, motivation and mobility were the least valued aspects. By contrast, the most valued aspects were diversity, Repsol's attractiveness as an employer and the business project.
Give a more local, engaged and multidisciplinary response to social and environmental expectations from local communities	In June and July we created National Corporate Responsibility Committees in Bolivia, Peru and Ecuador. The Spanish committee was created in December. One of the first initiatives implemented in the four Committees is to develop national sustainability plans to be launched during the first quarter of 2012. With this initiative we aim to give a more local, integrated and multidisciplinary response to ethic, social and environmental expectations of the local communities where we

<sup>20</sup> We give information on the objectives of the sustainability plan closing December 2011. More information on our progress against each objective is available at [responsabilidadcorporativa.repsol.com](http://responsabilidadcorporativa.repsol.com)

	are present.
Contribute to increasing the social and environmental standards of our subcontractors	<p>We have implemented Several activities to promote social responsibility in our value chain, emphasizing the following:</p> <ul style="list-style-type: none"> <li>- Updating supplier-rating processes that incorporate a requirement for applying corporate responsibility criteria to their own suppliers and contractors</li> <li>- Defining new clauses to be incorporated in the general conditions for purchasing and contracts, regarding compliance with Repsol policies, in terms of ethics and human rights</li> <li>- Seven ethics and human rights audits on two direct suppliers in Spain and five in Peru. In addition, three audits were conducted on our suppliers' contractors, one in Morocco and two in China. To do so, we hired the services of an external company with recognized experience in conducting this type of audits. As a result of the social audits, we defined a series of improvements to be implemented by the supplier and/or its contractors.</li> </ul>
Contribute to raising our partners' social and environmental standards	Partner relations are established through a Joint Operating Agreement (JOA), reviewed in 2011 to incorporate ethical and environmental aspects. In 2012 we will continue to work to improve this agreement, incorporating human rights aspects.
Promote socially responsible investment	All the group's pension funds are required to meet Socially Responsible Investment (SRI) criteria in their investment decisions. In 2011 we enhanced these criteria with current fund managers.
Take into account social minorities and special needs groups in our corporate communication	<p>As part of our commitment to society and to a fully accessible website at <a href="http://repsol.com">repsol.com</a>, Repsol has taken the following actions:</p> <ul style="list-style-type: none"> <li>- Implement accessibility and web semantics criteria to achieve level AA of the accessibility guidelines for web content, intended to make content accessible to people with different capabilities</li> <li>- Put in place accessibility standards to aim for all new development to reach all audiences.</li> </ul> <p>Of note is the recognition received in 2011 on accessibility granted by "Reporta 2011" after studying how the 113 companies listed on the Madrid Stock Exchange General Index (IGBM) and the Ibex 35 report to their stakeholders. The report highlights Repsol as a benchmark for accessibility, and a second place overall rating.</p>

Objectives for 2011	Degree of progress
Foster a safety culture	<p>In 2011, we delivered 193,760 hours of training in safety and occupational health to our own personnel (reaching approximately<sup>21</sup> 35%), and around 532,702 hours to contractors' staff.</p> <p>The main training programs undertaken for all company business units in 2011 were on incident investigation, safety and environmental risk assessment and defensive driving.</p> <p>Additionally, we continued to conduct training and awareness campaigns on the 7 Basic Safety Rules in all business units.</p>
Update our safety and environmental risk management system	<p>In 2011, we conducted risk surveys in all business units to implement the Safety and Environmental Risk Management corporate standard, approved in 2010, in the industrial centers affected by this corporate standard.</p> <p>In addition, we worked to reinforce training for the correct application of this corporate standard.</p>
Advance emergency control	<p>After reviewing our company emergency management processes in 2010, in 2011 we defined new emergency management process at corporate level.</p> <p>We also defined emergency management criteria for application in our facilities, having begun to make suitable these criteria / the adaptation of these criteria in company facilities.</p>
Promote continuous improvement in our safety management system	<p>We have conducted recertification programs of our safety management system, under international standard OHSAS 18001 "Occupational Health and Safety Management System" at certified centers.</p> <p>Additionally, 13 new facilities were certified under this standard throughout 2011: 10 services stations and three LPG plants.</p>
Prevent accidents by incidents investigation	<p>We conducted training courses to implement safety and environmental incident investigation corporate standards and on the use of the computer tool that supports them, HGI (Graphic Investigation Tool)</p> <p>We are also monitoring indicators on incident investigation and improvement actions that form part of the company's safety and environmental targets.</p>
Improve the safety of company processes	<p>In 2011 we have continued improving the safety of company processes by defining preventive indicators in accordance with best sector practices, following adoption of the industrial accident rate indicators established by the main international standards for our sector.</p> <p>Through our membership of the <i>European Process Safety Centre</i> (EPSC), the main European body focused on this area, we participate in the process safety indicators working group, allowing us to learn and adopt best industry practices.</p>
Identify opportunities to improve energy efficiency in our operations and reduce our greenhouse gas emissions	<p>During 2011 we reduced 622,300 tons of CO<sub>2</sub> equivalent through specific energy saving actions. The aggregate reduction as a consequence of all our actions between 2006-2011 comes to 2.2 million tons of CO<sub>2</sub> equivalent (over 85% of our total strategic target).</p> <p>Furthermore, we have continued our emissions verification program in company facilities, adding the following operating centers this year: Margarita in Bolivia, Block 16 in Ecuador and Barrancas in Argentina.</p> <p>In September 2011 we obtained the Energy Management</p>

<sup>21</sup> Percentage of personnel who have undergone training in relation to total staff.

	Systems certification at the A Coruña Refinery under international standard ISO 50001.
Research, develop, produce and market more sustainable biofuels	<p>During 2011, in the KUOSOL project we continued making progress in planting land and work relevant to the current project phase. In conjunction with our investee company AlgaEnergy we operationalized the Technological Platform for Experimentation with Microalgae (PTeM) at terminal 4 of Madrid-Barajas airport. This project researches CO<sub>2</sub> capture from airport facilities for use as one of the nutrients used by microalgae for conversion into biodiesel.</p> <p>Iberia y Repsol carried out the first Spanish flight powered by biofuel on October 3, 2011.</p> <p>In 2011 Repsol distributed 1,700,000 tons of biofuels on a global level.</p>
Progress in researching and developing new energy sources for transport.	<p>In 2011, IBIL, the joint venture between Repsol and EVE (Ente Vasco de la Energía) the Basque Government's energy agency, became the largest electric vehicle charging service provider in Spain. It has managed the installation of a total of 109 posts, which allow electric vehicles to charge safely and reliably, constantly monitored via the new control center located in Barakaldo (Bizkaia, Spain).</p> <p>In 2011 we created IBILEK, an hourly electric vehicle rental service.</p>
Study opportunities for renewable electricity generation	<p>We continued working to promote renewable generation projects through our subsidiary Orisol in countries such as Spain, Italy, Romania and the United States, among others. Actions of note include our commissioning in Sierra de Arcas (Andalusia) and the awarding of 9 and 51 MW tenders in Aragon and Andalusia respectively.</p> <p>In June 2011 Repsol acquired 100% of the British company Sea Energy Renewables, an offshore wind farm promotion and development company based in Scotland that will allow us to develop 1.190 MW net of offshore wind power.</p>
Optimize our water management	<p>We carry out water management improvement programs in several refineries (Petronor, A Coruña, Cartagena, Tarragona and Puertollano in Spain; Luján de Cuyo in Argentina; La Pampilla in Peru) and chemical plants (Tarragona, Puertollano, Polidux, General Química and Dynasol in Spain). The actions identified mainly relate to:</p> <ul style="list-style-type: none"> <li>▪ Optimizing consumption</li> <li>▪ Minimizing discharges</li> <li>▪ Improvements in water quality</li> <li>▪ Solutions to operating problems</li> </ul> <p>During 2011 we implemented a series of pilot studies in three company facilities (Puertollano refinery and chemical plant in Spain and the exploration and production operations in block 16 in Ecuador) to identify opportunities to optimize the water use and improve discharge quality.</p>
Improve waste treatment	<p>We carry out waste minimization programs and improvement actions for waste management in several company centers/facilities..</p>
Enhance control over spills	<p>In 2011 we took action to review our current contingency plans and analyze the adequacy of our Sea and River Spill Management corporate standard, approved in July 2010, defining an adequacy proposal in several company facilities in Portugal (port terminals in Banática, Matosinhos and Leixoes) and in Peru (Puerto Callao and La Pampilla).</p>
Minimize impacts on biodiversity	<p>We have worked to extend the Biodiversity Action Plans (BAPs) developed in blocks 57 in Peru, block 16 and Tivacuno</p>

	in Ecuador, the Auca Mahuida Vulcan block and Llançanelo in Argentina and the TSP block in Trinidad and Tobago.
Assess the environmental, social and health impacts of our projects	Repsol approved the Environmental, Social and Health Impact Assessment (ESHIA) corporate standard in November 2011.
Promote continuous improvement in our environmental management system	<p>We have worked to renew our certifications in centers using the ISO 14001 international environmental management system standard.</p> <p>Additionally, 18 new facilities were certified under this standard during 2011: Three LPG plants, 20 service stations, four marine and fishing facilities and a marketing subsidiary.</p>

# Repsol and Corporate Responsibility

## Corporate governance

The Board of Directors is our highest-level governance body with corporate responsibility duties. It is composed of 15 members, of whom two are Executive Directors, five are External Directors representing institutional shareholders, and eight are Independent Non-executive Directors.

There are two women Directors: Ms. Paulina Beato Blanco, a Member of the Audit and Control Committee; and Ms. María Isabel Gabarró Miquel, who serves on the Strategy, Investment and Corporate Responsibility Committee and the Appointments and Remuneration Committee.

As of December 31, 2011, the Board of Directors is composed of:

NAME	OFFICE	CONDITION	LAST APPOINTMENT	TERM EXPIRES
Mr. Antonio Brufau Niubó	Chairman	Executive	15/04/2011	15/04/2015
Mr. Juan Abelló Gallo	Vice-chairman	External <sup>22</sup>	15/04/2011	15/04/2015
Mr. Isidre Fainé Casas	Vice-chairman	External <sup>23</sup>	14/05/2008	14/05/2012
Ms. Paulina Beato Blanco	Member	Independent	30/04/2010	30/04/2014
Pemex Internacional España, S.A., represented by Mr. José Manuel Carrera Panizzo	Member	External <sup>24</sup>	30/04/2010	30/04/2014
Mr. Artur Carulla Font	Member	Independent	30/04/2010	30/04/2014
Mr. Luis Carlos Croissier Batista	Member	Independent	15/04/2011	15/04/2015
Mr. Ángel Durández Adeva	Member	Independent	15/04/2011	15/04/2015
Mr. Javier Echenique Landiribar	Member	Independent	30/04/2010	30/04/2014
Mr. Mario Fernández Pelaz	Member	Independent	15/04/2011	15/04/2015
Ms. María Isabel Gabarró Miquel	Member	Independent	14/05/2009	14/05/2013
Mr. José Manuel Loureda Mantiñán	Member	External <sup>22</sup>	15/04/2011	15/04/2015
Mr. Juan María Nin Génova	Member	External <sup>23</sup>	14/05/2008	14/05/2012
MR. Henri Philippe Reichstul	Member	Independent	30/04/2010	30/04/2014
Mr. Luis Suárez de Lezo Mantilla	Secretary	Executive	14/05/2009	14/05/2013

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

<sup>23</sup> External Director representing an institutional shareholder appointed at the proposal of CaixaBank, S.A.

<sup>24</sup> External Director representing an institutional shareholder appointed at the proposal of Petróleos Mexicanos

In order to enhance and improve its current structure, the Board of Directors, with the support of the Appointments and Remuneration Committee, approved an amendment to its Regulations, later incorporated into the company bylaws, establishing the role of the Lead Independent Director when, as is currently the case, the Chairman of the Board also assumes the role of chief executive.

This Director has the following powers, among others:

- Request the Chairman of the Board to convene the Board when deemed appropriate, as well as including issues onto the agenda of its meetings
- Coordinate and reflect the opinions of External Directors, and convene and chair any Independent Director meetings deemed necessary or appropriate.

Mr. Artur Carulla Font, current Chairman of the Appointments and Remuneration Committee, has been appointed to the role as Lead Independent Executive.

During 2011, the Board of Directors met twelve times. Only one of the meetings was not attended by all members<sup>25</sup>. The percentage of non-attendances out of the total number of votes cast during the period was 0.52, compared to 3.36 in the previous year.

During the year 2011, the Board of Directors, directly or through its Committees, has dealt with the following sustainability issues, among others:

- 2010-2014 Strategic Plan
- The Working Norm on Corporate Responsibility
- 2012 Sustainability Plan
- Corporate Responsibility Report 2010
- Information on Safety and the Environment

In 2011, the Members of the Board of Directors, including Executive Directors, collectively received remuneration of €4.97 million<sup>26</sup>.

### **Performance of the Board of Directors and its Committees**

As set forth in article 11 of the Board of Directors Regulation, at least once a year the Board of Directors assesses the functioning, quality and efficiency of its work. It also assesses annually the functioning of its Committees, based on the reports they present.

To this end, at its meeting held on January 25, 2012, the Board of Directors agreed that its functioning during the 2011 financial year, as well as that of the Delegate Committee, the Audit and Control Committee, the Appointments and Remuneration Committee, and the Strategy, Investment and Corporate Responsibility Committee, was satisfactory and that these bodies and the Chairman of the Board of Directors properly carry out the functions they have been entrusted with under the law and internal policies applicable.

The functions with which the Board is charged, as set forth in the Board of Directors Regulation, include the following:

- Examine draft Ethics and Conduct Regulation and their amendments, prepared by the corresponding area of Repsol and issue a prior opinion to the proposals to be made by the corporate bodies
- Ensure that internal Ethics and Conduct Regulation and Codes related to securities markets, applicable to Repsol staff, meet policy requirements and are fit for purpose
- Understand and direct Repsol's policy, objectives and guidelines on safety and the environment

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<sup>25</sup> Members who provide no specific instructions as to their votes are considered failures to attend.

<sup>26</sup> This amount excludes remuneration for carrying out management functions and for membership of the Boards of Directors of affiliates. For more information, see note 33 of the 2011 consolidated annual accounts of the Repsol YPF group.

- Understand and direct Repsol's policy, objectives and guidelines on corporate responsibility.

In general, the Board and its Committees are evaluated on an annual basis by the Board of Directors itself, without the involvement of third parties external to the company.

### **Responsibilities of the Board of Directors on corporate responsibility**

In accordance with the provisions of article 5 of the Board of Directors Regulation, the board, in a plenary session, is responsible for approving Repsol's corporate responsibility policy.

In turn, in accordance with article 34.4. c) of the Board of Directors Regulation, the Strategy, Investment and Corporate Responsibility Committee is charged with understanding and directing Repsol's policy, objectives, and guidelines on corporate responsibility and informing the Board of Directors about these, as well as reviewing and advising on the Repsol Corporate Responsibility Report prior to its submittal to the Board of Directors.

Moreover, in accordance with article 32.4. n) of the Board of Directors Regulation, the Audit and Control Committee of the Board of Directors is charged with understanding and directing Repsol policy, objectives and guidelines on safety and environment matters.

### **The Strategy, Investment and Corporate Responsibility Committee**

At December 31, 2011, the Committee comprises six Directors, four of whom are External Directors representing institutional shareholders, and two Independent Directors. The Chairman is an External or Non Executive Director.

NAME	OFFICE	CONDITION
Mr. Juan María Nin Génova	Chairman	External
Mr. Juan Abelló Gallo	Member	External
Pemex Internacional España, S.A., represented by Mr. José Manuel Carrera Panizzo	Member	External
Mr. Luis Carlos Croissier Batista	Member	Independent
Ms. María Isabel Gabarró Miquel	Member	Independent
Mr. José Manuel Loureda Mantiñán	Member	External

During 2011, all members of the Strategy, Investment and Corporate Responsibility Committee attended all meetings held.

Their agenda included the following issues, among others:

- Regulation for the Corporate Responsibility Function
- 2012 Sustainability Plan
- Corporate Responsibility Report 2010

## Significant share ownership

Repsol's largest shareholders at December 31, 2011 are the following institutions:

Shareholder	total % of share capital
Sacyr Vallehermoso, S.A. <sup>27</sup>	10.01
CaixaBank, S.A	12.84
Petróleos Mexicanos <sup>28</sup>	9.49

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

## Organization and activities

Repsol works in the areas of hydrocarbon exploration, production, refining and marketing and in new energies.

Repsol's activities are divided into five business areas:

- Three integrated strategic businesses, which include the operations of Repsol Group entities, excluding YPF and Gas Natural Fenosa, in the following areas:
  - Upstream, responsible for exploration and production operations of hydrocarbons
  - LNG, responsible for natural gas liquefaction, transport and regasification operations and for marketing natural gas and liquefied natural gas
  - Downstream, our refining operations and marketing of petroleum, chemical and liquefied petroleum gas products.
- Two strategic stakeholdings:
  - YPF, which includes the operations of YPF, S.A., and its group companies, in all the businesses detailed above. Repsol has gone from having an operated participation of 79.81% at December 31, 2010 to a participation of 57.43% at December 31, 2011
  - Gas Natural Fenosa, whose main activities are the marketing of natural gas and the generation, distribution and marketing of electricity; the Group has gone from having a non-operated participation of 30.13% at December 31, 2010 to a participation of 30.01% at December 31, 2011.

<sup>27</sup>The Sacyr Vallehermoso stake is held by Sacyr Vallehermoso Participaciones Mobiliarias, S.L.

<sup>28</sup>The shareholding of Petróleos Mexicanos (Pemex) is held through Pemex Internacional España, S.A. and through several equity swap instruments with certain financial institutions that provide Pemex with the financial rights and the exercise of voting rights up to 9.49% of the company's share capital.

## 2011 highlights

**Discoveries** in Argentina (Vaca Muerta, Neuquén), Brazil (Gávea and Malombe) and Libya (A1130/4).

**Incorporation of new areas** of high potential in the United States (Alaska), Russia, Ireland, Iraq, Tunisia and Portugal in Upstream activities.

**Reserve replacement ratio**<sup>29</sup> of 162% for crude oil, condensate, LPG and natural gas.

Acquisition of 100% of the British company **Sea Energy Renewables**, an offshore wind farm promotion and development company based in the United Kingdom.

Commissioning of **extension and improvement projects in the Bilbao and Cartagena refineries**. These projects will boost operating margins and consolidate the company's integrated position and leadership in this business in Spain.

### Our operations in Libya in 2011

Due to the conflict in 2011, Repsol's production in Libya ceased completely in early March. During most of February production stood at levels close to 50%.

On Sunday February 20, Repsol implemented its evacuation plan, which has been regularly updated by corporate safety managers since 2007. The plan included three alternatives for evacuation. We chose to evacuate staff by airlifting.

The evacuation ended in the early hours of Friday 25 to Saturday February 26, when the last group of Repsol employees in Libyan territory arrived at Barajas Airport in Madrid. This airplane, chartered by Repsol, also carried 83 expatriates as requested by other companies and institutions, of 28 different nationalities, whom Repsol evacuated for humanitarian reasons.

The company developed a special protocol to attend to employees evacuated out of Libya and their families once repatriated to Spain.

During the second and third quarters of 2011 Repsol obtained no production from the Libyan fields.

After resolution of the conflict, production began again in blocks NC-115 and NC-186. Production is expected to reach close to pre-conflict levels during 2012.

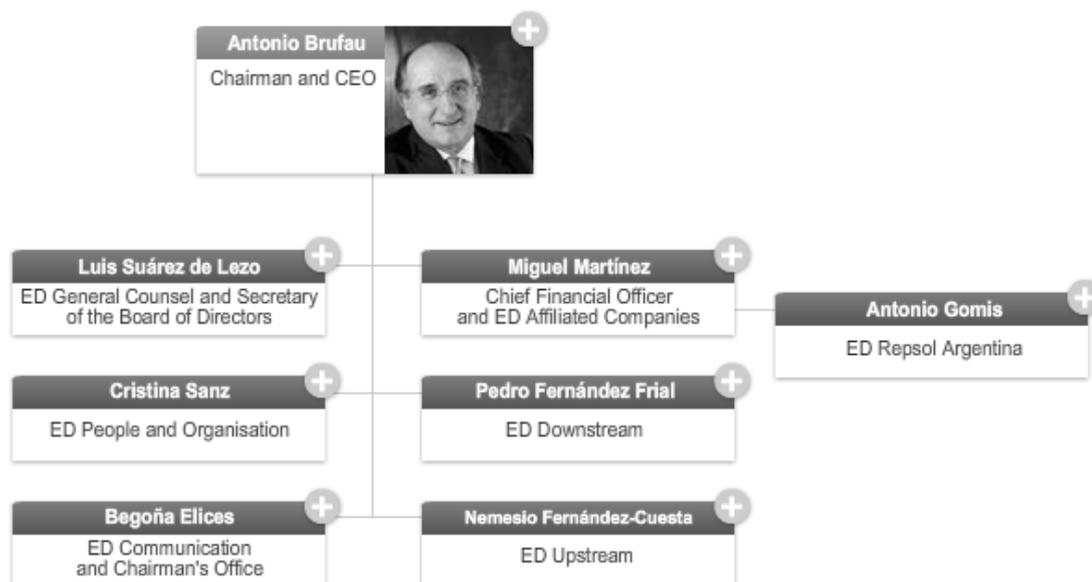
### New top executives at Repsol

During 2011, we reorganized our top leadership structures that depend directly on the Executive Chairman of our Upstream and Downstream Executive Divisions. We also created the Economic-Financial and Investee Company Executive Management Division. These changes were designed to adapt the organization to the current level of implementation of the Strategic Plan and to improve company management efficiency. This Executive Management Division incorporates the control of investee companies YPF and Gas Natural Fenosa and the responsibilities of the Corporate Resources Division into the responsibilities of the previous Economic-Financial Executive Managing Division.

<sup>29</sup> The rate is 141% in crude oil, condensate and LPG, and 174% in natural gas; excluding YPF

In 2011, Members of the Executive Committee, excluding Executive Members, received remuneration of €17.58 million in total. This amount includes an extraordinary bonus payment linked to the increased income in 2010 accrued in 2011.

Total remuneration for Executive Directors in 2011 amounted to €11.48 million. This amount includes an extraordinary bonus payment linked to the increased income in 2010 accrued in 2011 of €2.77 million for Mr. Antonio Brufau and €1.67 million for Mr. Luis Suárez de Lezo.



### Best European energy company for executive leadership

Repsol has been chosen as the best energy company in Europe for the quality of its executive leadership according to a survey carried out by the international consultancy firm the Hay Group.

This survey entitled "Best European Companies for Leadership" assesses the best companies on the continent according to the quality of their executive leadership. Repsol is the only energy company in the top 10 of the ranking.

According to the findings of the report, these 10 companies use best employment practices, which help achieve an optimum work-life balance. This gives them a competitive advantage to attract and retain professional talent, improving their potential and performance.

## Economic value generated and distributed

These data indicate how we have created wealth for our stakeholders.

Economic value generated and distributed (€ millions)		
Item	2010	2011
<b>Economic value generated</b>	<b>59,927</b>	<b>62,883</b>
Sales and other operating income	56,710	62,503
Financial income	159	261
Earnings from disposal of fixed assets	3,058	119
<b>Economic value distributed</b>	<b>53,571</b>	<b>58,731</b>
	37,422	45,395

Purchases and other operating and training expenses		
Staff expenses (excluding training)	2,392	2,556
Public Administrations: Tax accrued in the financial year and included as expenses in the consolidated statements of the Group, including Corporate Income Tax and Excise Duties. <sup>30</sup>	11,437	9,073
Dividend and financial expenses <sup>31</sup>	2,320	1,678
Resources invested in the community	30	29
<b>Retained economic value</b>	<b>6,356</b>	<b>4,152</b>

## How we identify and manage risks

Our risk map is made up of five major categories.

As a petroleum and gas company we are active in many countries, each with different regulatory frameworks. As a consequence, we face a number of risks:

- Financial and market risks deriving from the volatility of global oil and natural gas prices, exchange and interest rates. These also include those related to our liquidity and solvency, as well as those deriving from our contractual obligations and our commercial commitments with suppliers and customers
- Risks related to company strategy, how we manage our portfolio and how we make resource allocation decisions requiring Executive Committee or Board of Directors approval
- Risks in the business environment beyond the company's control, such as the macroeconomic context, trends in our sector, specific countries, natural catastrophes, the competition, partnerships, and our stakeholders' perceptions
- Regulatory and compliance risks, such as changes to laws, regulations and compliance mechanisms related to legal, fiscal, safety and environmental matters, as well as reporting and aspects of corporate governance
- Operational risks pertaining to our effectiveness and efficiency as a result of deficient internal processes. Of particular note are risks pertaining to ethics and conduct, safety and environment and the violation of human rights.

These five major categories make up the structure of our risk map and include the main risks for the company. Each risk is linked to the business unit responsible for managing it, our existing parameters and controls, and relevant legislation.

We review our risk map annually; this is coordinated by our Audit and Control Division. Each unit with risk management responsibility helps update the risk map in view of trends in our main indicators and conditions in our operating environment.

### Crime prevention model

In 2011 and in response to the Spanish Penal Code reform, the company implemented a crime

<sup>30</sup> This includes excise duties and others of a similar nature amounting to €5,390 million in 2011

<sup>31</sup> 2011 results are limited solely to the interim dividend on the results of said year amounting to €635 million. Upon the formulation of the 2011 Annual Accounts, the Board of Directors has approved proposing to the General Shareholders Meeting a new remuneration system for shareholders under which the company would offer them an alternative of free shares in Repsol YPF, S.A., without limiting their option to receive cash remuneration.

prevention model in Spain that aims to prevent and uncover criminal conduct by the management and employees of the group's Spanish companies. This helps mitigate the company's criminal liability, preventing possible sanctions and negative consequences to the group's reputation and capital markets, and helps bring the group's Spanish companies into line with best anti-corruption practices. The design and functioning of this model has been verified by an independent external firm.

This initiative has helped to enhance mechanisms to identify, evaluate and mitigate risks of non-compliance of the principles established in Repsol's Ethics and Conduct Regulation.

#### **Actions to minimize risks**

The Audit and Control Division assesses the effectiveness of internal control systems and monitors compliance models and risks in the company:

- Internal Control System on Financial Reporting (ICSFR) based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework method, structured around five components: **i)** the entity's control environment, **ii)** risk assessment, **iii)** control activities, **iv)** reporting and communication and **v)** system operation supervision. The ICSFR is deployed in cycles, each cycle comprising processes which are assigned a level of criticality and a series of control objectives in order to mitigate the associated risks for the financial reporting process. Based on this assignment, we identify the controls that cover the risks in each process.

The different business units and corporate areas identified as "control managers" are responsible for ensuring control validity and execution, as well as the proper design of the associated processes.

The design and functioning of all controls are assessed annually by the Audit and Control Division.

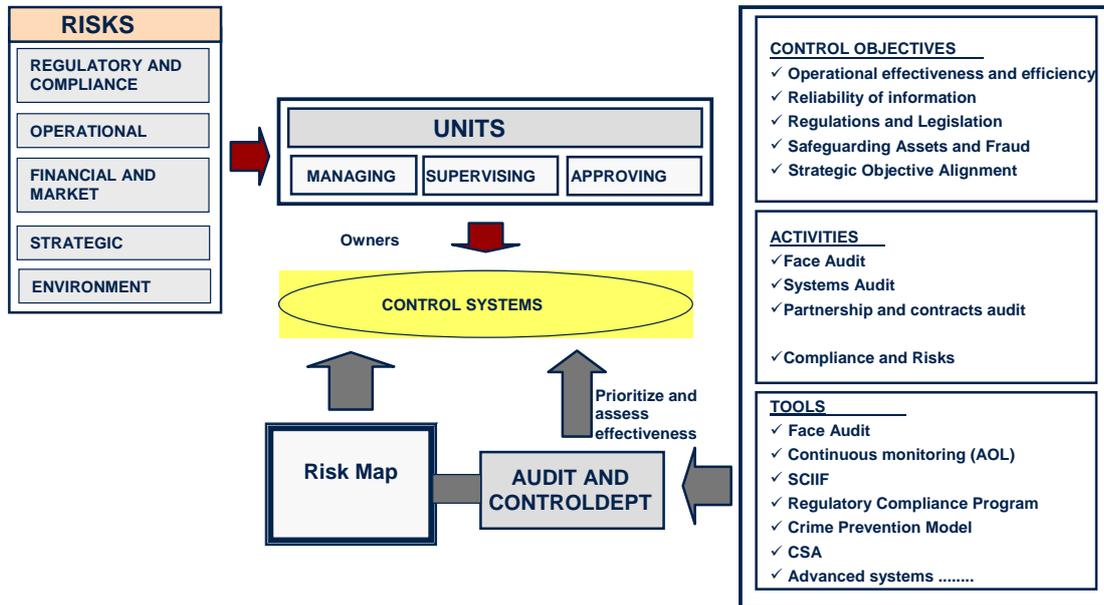
The ICSFR comprises a total of 1,082 controls, which enable us to reasonably cover the risks impinging on the reliability of our company's financial reporting.

- Spanish company crime prevention model: The Audit and Control Division, in coordination with the Legal Services and Corporate Governance areas, monitors internal self-assessment and control certification processes, as well as the verification of proper design and functioning by an independent external firm, as established in the annual plan of the Spanish company crime prevention model. The results of these model assessment processes are reported to the General Secretariat and Board of Directors and to the Audit and Control Committee.
- Legislative Compliance Program: We have a program that monitors our conformance with our formal legal obligations (to governments, public administrations and/or public authorities) connected to our activities. This helps us limit our compliance-related risks. This program extends to 43 countries and is based on periodic self-assessment of compliance in a number of areas.
- Risk map

Additionally, we plan our audit activities each year, focusing on risks, with an emphasis on those units, processes, or countries we believe are critical. To do this, we rely on a methodology we have developed for the identification and assessment of risks, beginning with our risk map. After identifying the projects, the scope of the review in each case is set according to the specific risk assessment for the units and processes to be reviewed.

Moreover, we continually monitor our progress on a set of indicators relevant for the company. This helps us minimize risks as it considerably extends our coverage of the transactions audited, and contributes to the early detection of incidents thus reducing potential impact. As of December 31, 2011, 875 control points were being monitored each month related to indicators in use at 27 Repsol companies in 16 countries.

Our actions to minimize risks are described as follows:



## The Repsol Model of Corporate Responsibility

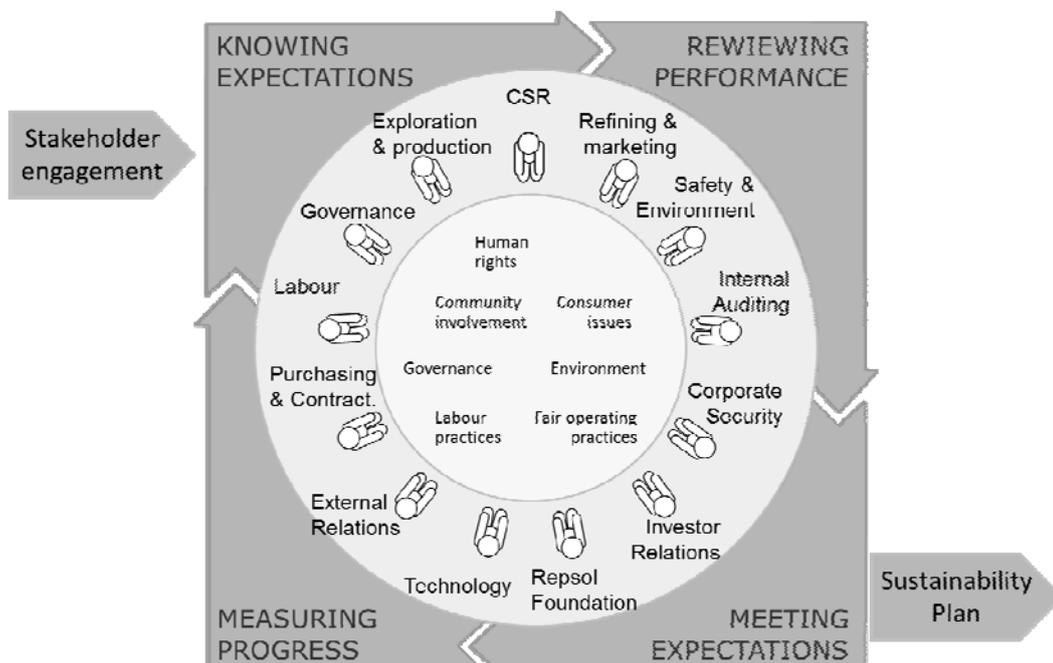
We have created Corporate Responsibility Committees in four of the countries where we operate: Bolivia, Ecuador, Spain and Peru.

In April 2011 we approved the Regulation for the Corporate Responsibility Function, formalizing Repsol's current model of Corporate Responsibility (CR). This is the way the company as a whole contributes to sustainable development.

This model includes:



- **Our values and principles of action** arising from the commitments we have made through our internal policy on CR-related issues, stances taken and adherence to the principles of various international initiatives.
- The Corporate Responsibility **Coordination System**, consisting of four elements:



1. Knowing the expectations of stakeholders (authorities, shareholders, investors, employees, customers, suppliers, communities, partners, etc.) concerning the company's CR-related performance.
  2. Revising CR-related performance and comparing this to the expectations of stakeholders on a corporate, national and operating center level.
  3. Bringing performance closer to expectations by reviewing company operating processes, training programs, awareness raising or strategic social investment. Each action includes specific performance indicators. All these actions form sustainability plans; these are commitments on which we issue public reports.
  4. Measuring progress using reputation metrics.
- Corporate Responsibility **governance and coordination bodies**: The Strategy, Investment and CR Committee of the Board of Directors, the Corporate CR Committee and the National CR Committees.

### **Corporate Responsibility Committees**

The Corporate CR Committee, comprised of 14 executives and created in 2009 met three times this year. The subjects they discussed and took decisions on included: Monitoring the 2012 sustainability plan, updating the sustainability plan with a 2013 horizon, a human rights training course for company employees, analysis of external expectations of stakeholders identified in 2011 and our crime prevention model.

During 2011 we set up four national CR Committees in the countries where we have more diversified operations.

The tasks to be undertaken by each national CR Committee include:

- Apply the CR Coordination System on a national and operating level
- Consolidate sustainability plans through actions that enable us to bring our performance closer to stakeholder expectations
- Follow-up on these plans and, if necessary, recommend corrective actions to be taken by the units responsible for their management
- Determine national strategic social investment needs
- Understand and direct information presented in the national CR Report, if any
- Understand and direct information presented in national-level public information arising from CR-related commitments made publicly by Repsol.

2011 National CR Committee constituted				
Country	Creation date	Number of meetings	Number of people	Areas represented
Peru	June 14	2	14	Procurement, LPG, LNG, Marketing, People and Organization, Community Relations, Refining, Communication and External Relations, Corporate Safety, Safety and Environment, Legal Services and Upstream.
Bolivia	July 17	2	8	Procurement, People and Organization, Community Relations, External Relations, Corporate Safety, Safety and Environment, Legal Services and Upstream.
Ecuador	July 27	2	15	Procurement, Repsol Ecuador Foundation, LPG, People and Organization, Community Relations, External Relations, Partner Relations, Corporate Safety, Safety and Environment, Legal Services and Upstream.
Spain	December 13	1	15	Audit, Procurement, Communication, Asset Management, LPG, Marketing, New Energies, People and Organization, Chemicals, Refining, Corporate Responsibility, Safety and Environment and Upstream.

## Relationships with shareholders and investors

We consider it important to know the importance our investors give to ethical, social, environmental and governance matters.

At Repsol we look after our relationships with our shareholders (institutional and minority) and stock market analysts through our Shareholder Information Office (SIO), part of our Investor Relations Division.

### Minority shareholders

Shareholders can request any information they might need by visiting the Shareholder Information Office, using our free telephone line - 900 100 100 - or by mail or email. The SIO attended approximately 50,000 calls during 2011, an average of 190 per day. The most common enquiries focused on the share price, the General Meeting, the policy and dates for the payment of dividends, as well as a variety of facts about the company. Moreover, in 2011, we received about 850 emails requesting information on Repsol.

### Institutional Investors and analysts

The Investor Relations Department communicates freely with institutional investors and stock market analysts. During 2011:

- We met outside Repsol offices with institutional investors (roadshows) in Europe, the United States and Asia with the participation of senior management. We had a further 11 meetings with the investor relations team
- We attended 12 sector conferences in Europe and in the United States, which included meetings organized with institutional investors
- We received investors in our company offices. These combined activities meant that we made contact with 600 institutional investors during 2011

- We organized a field trip in Argentina and Bolivia, focused on helping analysts and institutional investors get to know the company's operations in person. It was attended by 38 analysts who follow our performance.

We consider it important to know the importance with which institutional investors view our ethical, social, environmental and good governance matters. This enables us to align our practices and improve our performance. During 2011, we worked to identify investors that include sustainability considerations in their investment policies and criteria. This analysis was aimed at helping us to identify relevant issues and the strengths and weaknesses in our ethical, social, and environmental performance. As a result of this analysis, in early 2011 we presented our first road show specifically on matters of corporate responsibility.

## External recognitions

We achieved maximum scoring in our sector on the Dow Jones Sustainability Index and are leaders for the first time since we joined the index.

Repsol's presence on international sustainability indexes is an additional assurance for analysts and institutional investors who understand that corporate responsibility is a good indicator of the quality of a company's management and governance.

For the sixth consecutive year, Repsol's performance in corporate responsibility has been recognized by our inclusion in the prestigious Dow Jones Sustainability Index (DJSI). We are also part of the FTSE4Good and Ethibel Sustainability indexes.

For the first time this year Repsol has achieved the top score on the DJSI, leading the oil and gas sector.

Once again, Repsol has received the Gold Class company rating from Sustainability Asset Management (SAM) 2011 Sustainability Yearbook, which recognizes the best performing companies in sustainability and corporate responsibility in the world.

### **Awarded for our corporate responsibility in Ecuador**

Repsol received the General Rumiñahui Recognition for Best Practices in Corporate Responsibility and Sustainability 2011 awarded by the Provincial Government of Pichincha, which recognizes institutions that have carried out socially responsible work and are committed to the local citizens. Repsol Ecuador received the highest score in the Large Multinational category.

To achieve these recognitions candidate companies complete a self-assessment process based on a measuring system following the Business in The Community (BiTC) methodology, as well as the Global Reporting Initiative and Global Compact standards, among others.

### **Repsol Peru, receives the Socially Responsible Business recognition**

*Perú 2021*, primary promoter of social responsibility in Peru, in partnership with the Mexican Center of Philanthropy (CEMEFI) awarded Repsol Peru, in June 2011, the Socially Responsible Business (SRB) emblem.

The Socially Responsible Business emblem is an acknowledgement of responsible management by Repsol companies in Peru that operate in oil exploration activities, production

and development of natural gas fields, oil refining, fuel marketing for the vehicle sector, aviation, industry and mining; domestic and industrial LPG, lubricants, asphalts and related services.

Repsol Peru achieved this recognition after having been assessed on aspects such as quality of life in the company, business ethics and links with the community and the environment.

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

We have been actively committed to the ten principles of the United Nations Global Compact since we joined in 2003. This initiative aims to achieve a voluntary social responsibility commitment from companies and other entities, by implementing its principles based on human, labor and environmental rights and fighting corruption.

Repsol is a member of the Extractive Industries Transparency Initiative (EITI) The EITI is dedicated to increasing the transparency of host government revenues, and we consider it best placed to achieve this goal among global initiatives. If properly managed, this revenue can and should contribute positively to economic growth in countries where we operate. For this reason, the company has been a member of this initiative from its inception, in 2003.

### **Managing intangible assets**

We improved our position on the main national and international reputation indicators.

Much of a company's value lies in its intangible assets, such as brand and reputation – two key strategic values that differentiate us and help generate trust among stakeholders. For Repsol, corporate reputation is the recognition that our stakeholders give to the company's behavior and performance.

This is especially relevant in sectors such as the energy sector for the potential environmental and social impacts inherent in any industrial project. This requires Repsol to act under extremely demanding standards. As a company actively engaged in maintaining and increasing recognition from its stakeholders, Repsol manages this intangible asset through a Corporate Reputation Plan that includes measurement indicators, risks, online reputation and reputation improvement plans.

As part of our commitment to reputation management, we joined the *Corporate Excellence: Centre for Reputation Leadership*, as board member and founding partner in 2011. Corporate Excellence is a meeting point for major Spanish companies that aims to work towards professional brand and corporate reputation management on a global level.

In 2011, we maintained and improved our top-ten positions on the main national and international reputation indicators, such as the Spanish Corporate Reputation Monitor (MERCOS) and *Fortune Magazine's* World's Most Admired Companies, by sector and country.

# Our Challenges

## Committed to safety

At Repsol we demand a high level of safety in all our operations. During 2011 our Lost Time Injury Frequency Rate (LTIF) decreased by over 20% compared to the previous year.

Lost Time Injury Frequency Rate (LTIF) decreased by more than 60% since 2006.

### Improving our accident results

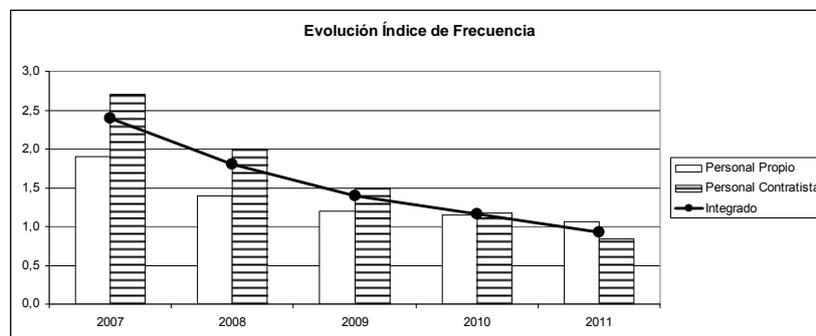
Our Lost Time Injury Frequency Rate (employee and contractor) decreased by over 20% compared to the previous year, meeting our annual target. Our goal is to achieve zero accidents in our activities. In the past five years we have reduced our LTIF by more than 60%. However, during 2011, we regret four fatal accidents involving contractors during work-related activities. Traffic accidents in Peru during LPG (Liquefied Petroleum Gas) logistics operations caused two of the deaths, and the remaining two occurred in Argentina, one during pipeline maintenance operations and the other during site assembly operations.

As a result of the fatal accidents in Peru, we took specific actions related to assessing existing customer route risks and establishing marketing criteria based on these route risk assessments. Additionally, enhanced the transport safety plan of the company in numerous ways, such as advanced training activities for drivers, awareness campaigns, working with suppliers and increasing follow-up and control.

Meanwhile, our Total Integrated Injury Frequency Rate (employee and contractor), which includes accidents with and without lost time, has continued the same downward trend as the Integrated Frequency Index, dropping 15% compared to 2010.

### Indicators/Safety Results<sup>32</sup>

#### Graph Lost Time Injury Frequency Rate<sup>33</sup>

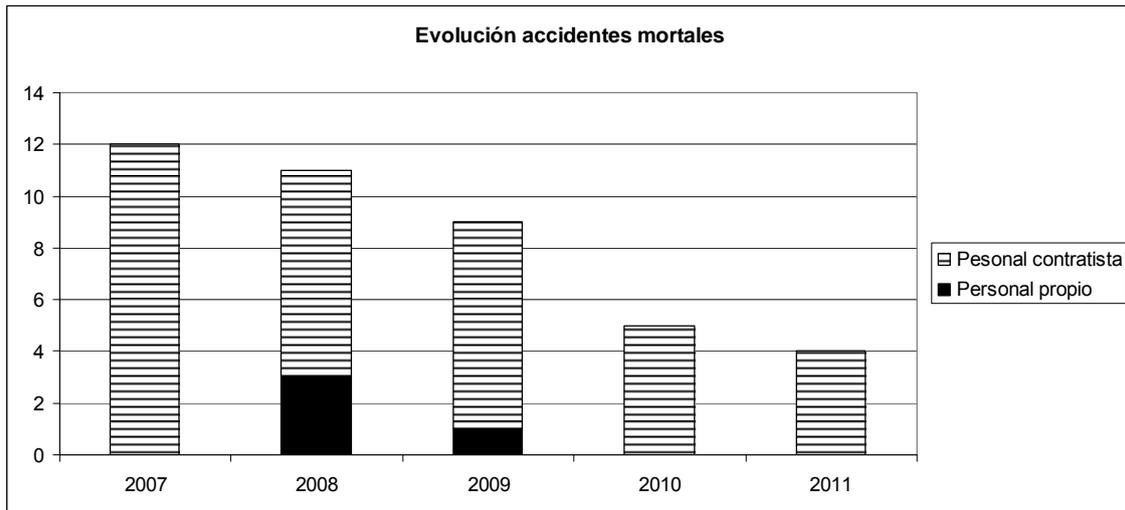


<sup>32</sup>Our company rules establish common criteria and a methodology for recording incidents, complemented by an incident management indicator guide, which is used to process Repsol's safety indicators. In these indicators we have included safety data for 100% of the staff of subsidiaries in which Repsol holds a majority interest and/or has operating liability (control).

<sup>33</sup> Lost Time Injury Frequency Rate: Measured as the number of lost time accidents and fatal accidents accumulated during the year per million hours worked.

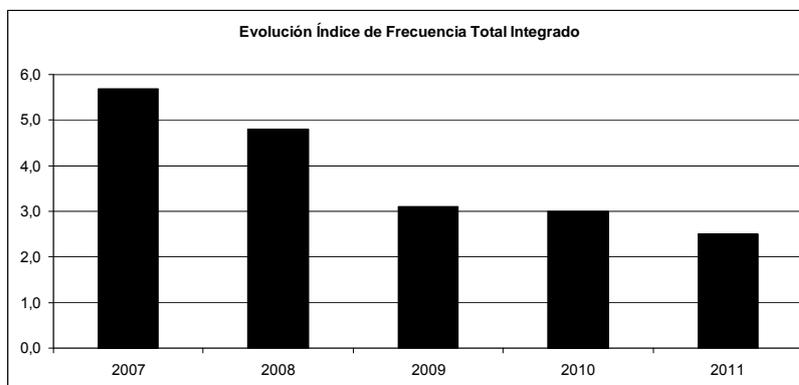
	2007	2008	2009	2010	2011
Integrated IF	2.4	1.8	1.4	1.2	0.9
IF Employees	1.9	1.4	1.2	1.2	1.1
IF Contractors	2.7	2.0	1.5	1.2	0.8

Graph of trends in employees / contractors)



No. of fatalities	2007	2008	2009	2010	2011
Own personnel staff	0	3	1	0	0
Contractor staff	12	8	8	5	4
Total	12	11	9	5	4

Graph of Total Integrated Injury Frequency Rate<sup>34</sup>



<sup>34</sup> Total frequency rate: Measured as the number of accidents with no lost time, with lost time and fatal accidents accumulated during the year per million hours worked.

	2007	2008	2009	2010	2011
Integrated TIF	5.7	4.8	3.1	3.0	2.5

## Incident investigation

As a preventive strategy, we work to investigate incidents and identify their root causes. This, together with improvement action, makes it possible to prevent similar accidents occurring again in the future.

As a preventive strategy, we work to investigate incidents and identify their root causes. This, together with improvement action, make them possible to prevent similar accidents occurring again in the future.

In late 2010 we approved a corporate regulation establishing a common methodology for safety and environment incident investigation throughout the company. We have a computer tool that supports this, the Graphic Investigation Tool (HGI), which is integrated with GAMA, the corporate tool used for incident management. This is used to communicate, record, analyze, follow-up and consolidate information on accident rates. This tool is accessed via the intranet, thus enabling efficient management and analysis of incidents.

To facilitate the implementation and deployment of this methodology, in 2011 we conducted different training sessions on incident investigation in Spain, Peru, Portugal and Canada. In total 128 employees received 3,452 hours' training.

These courses included case studies based on incidents that occurred in the company and aspects such as gathering evidence, conducting interviews, treating human error and managing the investigation committee. This training is also aimed at raising employee awareness that further investigation to identify root causes gives us enormous potential as a company to improve safety levels.

Since 2008 we set out objectives concerning incident investigation and the implementation of improvement actions.

### **Safety in the Cartagena and Petronor projects (Spain)**

Making major improvements in safety in new projects is one of the most important challenges for the company, as demonstrated by the project to expand the Cartagena refinery and to reduce fuel oil production in the Petronor Refinery, both in Spain.

Around 22,200 people from over 700 contractor companies have been involved in the construction stages of these two projects. In the over 37 million total hours worked we have achieved a lost time injury frequency rate of 1.05. We must highlight that the rate for the construction sector in Spain is around 50, according to the 2010 Yearbook published by the Spanish Ministry of Employment and Immigration.

After six years of intense work the C-10 Extension and Improvement of the Cartagena Refinery project (Spain) was completed in November 2011, meeting the initial deadline, cost and safety targets, which was a huge success for managing industrial projects of this size and complexity. This project has been selected from among all the global *Fluor Corporación* projects nominated to the *Energy & Chemicals - Downstream* as winner of the 2011 E&C TOP (*Totally Outstanding Project*) *HSE Project Award*. This award recognizes the best project of the year, not only for the good accident rate results but also for the implementation of best practices, for the active participation of senior management in safety activities, and for the emphasis on and promotion of "Zero incidents".

In 2011, we also continued construction work on our ADI-1000 Reduction of Fuel Oil in the Petronor Refinery project (Bizkaia, Spain), which stood out for the commitment to safety shown by management and all project team members and integrated as an essential part of their daily work.

We took a number of steps to ensure safety in these projects, including:

- Incorporation of international best practices regarding work management
- Compliance with regulations and standards, thanks to the high level of coordination between our own trained specialists (previously trained) and experts from outside companies
- Use of tools such as work permits and Safe Work Assignments (SWA) to identify and analyze risks to help avoid them
- Preventative observations carried out by specialized technicians to verify compliance with the safety regulations and any incidents of lack of conformity, which are corrected almost immediately
- Planning of construction work, particularly monitoring the execution of high-risk activities for which specific training was given (a total of around 235,000 hours of training on both projects) and an information and communication campaign was carried out with safety newsletters and site meetings
- A variety of activities aimed at risk analysis, beginning during the design phase with the preparation of a HAZOP (*Hazard and operability*) study and the implementation of different protective measures; and continuing with other activities that aid risk management, such as the preparation of specific safety guides, pre-operational protocols and contingency plans, all subject to ongoing review.

We completed these two projects in 2011 during the commissioning and start-up stages, which required a strict approach to safety aspects due to the nature of these activities. The result of this effort was a success in which over 1,500 people (company and external staff) completed start-up after over 1,500,000 hours with no serious accident. The keys to this process were adequate staffing, optimum training and rigorous and ongoing standards.

#### **Safety in the Cartagena-Puertollano distillation oil pipeline project)**

After completion of the construction, pre-commissioning and commissioning stages in October 2011 we began the start - up of the Cartagena-Puertollano oil pipeline. The project included successful comprehensive management of occupational risk prevention, health and safety that resulted in a lost time injury frequency rate of 0.64 (one lost time injury in over 1.5 million hours worked), exceeding the target set at 2.00.

In this project, safety was a challenge given the nature of this type of work, which involves:

- A site length of over 357 km
- Very different terrain and a great influence of the state of the land
- The requirement for outdoor work over a very large area with a great influence of the weather, resulting in the need to anticipate changing biological and other types of risks
- Possible interference to third parties resulting from activities running parallel to other pipelines, as well as road, railway and river crossings.

These characteristics usually result in high accident rates for this type of work. Our good performance in this project was achieved through the Safety Management Program, based on integrated prevention and safety, on motivating employees and a systematic revision of the program to ensure continuous improvement.

This program enhances preventive rules and techniques for safe construction by applying tools such as satellite control of vehicles assigned to the site, awareness campaigns adapted to

changing risks, detailed treatment of the real state standards during construction, fostering the contribution of all the different participants' managers, prior detection of the existing oil pipeline routing developing emergency plans with authorities and use of satellite telephones for areas without coverage. One of the key factors for the success of the project is the collaboration and commitment of all the workers who, through safety observations, could publish/make publicly their opinions and proposals.

After start-up, we held a lessons learned workshop which identified specific improvement points that will be disseminated for application to similar projects.

## Our strategy

Our main concern is the protection of the people who work at our installations, our customers and all the inhabitants of the communities where we operate. This requires a substantial commitment at all levels in our organization, for this, the Executive Committee sets out the objectives and the strategic guidelines in terms of safety and environmental issues.

We demand a high level of safety in all our operations, and carry them out in accordance with strict safety and health standards.

This requires a substantial commitment at all levels in our organization. Therefore, the Executive Committee sets out the objectives and the strategic guidelines in terms of safety and environmental issues, which form the basis for the targets and action plans of all company businesses. These plans identify actions required for the continuously improvement of our management, investments and associated expenses, and the adaptations to new legal requirements. In 2011, investment in safety actions amounted to €125 million, while expenses totaled €145 million.

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

Since 2005, the Audit and Control Committee of the Board of Directors has overseen and directed the policy, guidelines and the company's targets in terms of safety and environment.

## Safety management system

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

*We carried out more than 912 safety and environment audits.*

In the Repsol Health, Safety and Environment Policy we commit to comply with the legal requirements in force in each location, as well as to establish common standards of conduct as regards safety, health and the environment, regardless of the geographic area where we carry out our work. In the policy we also commit to developing our activities with consideration for the health and safety of people and protecting the environment as core values. Safety is one of the company's fundamental and inalienable ethical values, which must guide all our actions and commitments.

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

We undertake audits to monitor and verify our management system, foster improvements in the protection of our facilities and workers and in risk management. Every year we implement a safety and environment audit plan that includes external audits (voluntary and/or legal for certification) such as "crossed" internal audits in which qualified personnel from different business units audit each another (See the table Safety and Environment Audits 2011).

<b>Safety and environment audits 2011<sup>35</sup></b>	<b>Number</b>
Internal	286
Certification	129
External (legal)	497
<b>Total Repsol</b>	<b>912</b>

#### **We increase our OHSAS 18001 certifications**

Our safety and environment management system is aligned with the international standard OHSAS 18001 for occupational health and safety management systems, and we encourage the progressive certification of our company sites in accordance with this standard as a way to promote continuous improvement and obtain external validation of our management systems. We currently hold certification for all our refineries and chemical plants, nearly all lubricant and specialties facilities, several exploration and production centers and an increasing number of other facilities.

During 2011, we certified 13 new centers or activities to OHSAS 18001: Two LPG plants in Argentina (Junín and Córdoba), one LPG plant in Peru (Piura) and 10 service stations in Peru. The table Principal OHSAS 18001 Certifications in 2011 lists the principal installations certified at December 31, 2011.

<b>Principal OHSAS 18001 certifications 2011</b>		
<b>Activity</b>	<b>Centers certified under OHSAS 18001</b>	<b>Percentage</b>
Refining	9 of 9	100
Chemicals	8 of 8	100
Exploration and production <sup>36</sup>	4 of 15	27
LPG	33 of 50	66
Lubricants and Specialties	16 of 17	94

<sup>35</sup> Internal audits carried out by personnel from each facility are not included

<sup>36</sup> The total number of exploration and production facilities was adjusted due to the sale of the Barrancas and Termobarrancas assets in Venezuela and Bermeo in Spain.

## Process safety

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

Improving the identification, evaluation and management of industrial risks is a key factor for increasing safety. At Repsol we have a number of requirements and guidelines in place to ensure that risks are correctly identified, quantified, and managed throughout the lifecycle of an installation, from design until it is abandoned or dismantled. This prevents damage to people and assets, as well as minimizing environmental impact.

Our internal rule/regulation for safety and environmental risks in industrial assets, approved in 2010, included developing business plans to adapt installations to policy requirements. These plans formed part of the business objectives in 2011. Meanwhile, we are developing guides to facilitate the implementation of the rule/regulation, as well as specific training for businesses. In 2011, we developed and began providing advanced HAZOP training. The objective of this risk analysis methodology is to focus on aspects and guidelines that enable us to improve the quality of our research, develop accident scenarios, evaluate the risk and prioritize improvement actions.

In addition, in order to improve the safety of our facilities, we have continued to develop prevention indicators in line with best sector practices. To this end, we are members of the *European Process Safety Centre (EPSC)*, the main European body focusing on this area, where we serve on the process safety indicators working group, allowing us to learn and adopt best industry practices.

## Safety on offshore platforms

We are experienced in offshore operations and have carried out drilling in deep water wells, both in the Gulf of Mexico and in other parts of the world. The company implement the strict requirements adopt by the industrial sector.

*As of December 31, Repsol was operating 291 blocks at sea in 15 countries.*

We are experienced in offshore operations and have carried out drilling in deep water wells, both in the Gulf of Mexico and in other parts of the world.

### Offshore activities

As of December 31, Repsol was operating 291 blocks at sea in 15 countries. We also had a non-operated participation in 192 blocks in 14 countries.

Offshore blocks operated by Repsol			
Country	Exploration	Development	Total
Spain	14	11	25
Argentina	2	1	3
Brazil	7		7
Cuba	1		1
United States	238		238

Equatorial Guinea	1		1
Guyana	1		1
Indonesia	1		1
Morocco	2		2
Norway	2		2
Portugal	2		2
Surinam	1		1
Trinidad and Tobago		3	3
Tunisia	3		3
Uruguay	1		1
<b>Total</b>	<b>276</b>	<b>15</b>	<b>291</b>

Repsol is an active member of the Oil and Gas Producers Association (OGP), which brings together oil and gas production companies to promote safety and sustainable operations. To ensure that the lessons learned from industry incidents (such as the Macondo spill in the Gulf of Mexico, Montara in the US and others) are applied to offshore operations around the world, this organization issued a series of recommendations that are consistently implemented in the company's drilling projects. These recommendations enable us to improve prevention and the ability to respond to spills in offshore drilling operations.

Of these recommendations, we have adopted the following:

- Introduction of review processes: Prevention and reliability are achieved through review processes and internal and external audits. To meet this criterion we have implemented: Project handling (IPM – Integrated Project Management), peer reviews (including technical and operational reviews), integrated equipment audits, internal and external management system audits.
- Risk management: During all drilling project stages we carry out qualitative and quantitative studies according to our Safety and Environmental Risk Management in Industrial Assets rule/regulation and the new procedures to identify and assess these risks, which require bow-tie analyses for high potential risks.
- Ensuring competence: To ensure our people and teams are able to understand and manage risks, and as part of the people management and supplier assessment processes, we assess staff competence to ensure their aptitude, particularly in the case of people with responsibility over critical safety and environmental elements.
- Application of international standards and best practices: We have specialized staff responsible for preparing, maintaining and disseminating benchmark procedures and rules/regulations to ensure that the latest standards are applied to our projects.
- Application of double barrier criteria: We have regulations requiring the use of double barriers in all productive wells to prevent discharging hydrocarbons or other fluids to the environment. This concept has been fully integrated in company designs and operations.
- Emergency response: During 2011 we enhanced the implementation of company emergency response procedures and plans at all levels (local, regional and international emergencies) to all company operations, particularly offshore operations.

- Response to spills: As part of our emergency response procedures, for each offshore well we define possible spill scenarios and develop corresponding control plans. This entails having equipment and staff available to respond to a contingency at all times. We are also members of OSR (Oil Spill Response), an international organization made up of oil operating companies, specialized in oil spill prevention and control and related technical assistance.

#### **CLEAN project at the Casablanca platform (Spain)**

The CLEAN project (Casablanca active life extension project) for the Casablanca platform, part of the Spain business unit, aimed to ensure the technical integrity of the platform, to extend its useful life by ten years and improve operating safety.

This project involved:

- Extension of working life: We validated the original design compared to current standards and its suitability for ten further years of operation, including an extensive initial inspection and verification program, and the implementation of resulting improvements, the formalization of a rigorous multiple-year program of inspections and maintenance, and the certification of the design and conditions of the facility by an external certification body
- Safety studies: We brought forward the updating of all technical studies required by the company's policy on safety and environmental risks in industrial assets and we have developed an improvement implementation plan for 2012
- Benchmarking: We conducted a comparative study with other facilities in benchmark countries to adapt installations in relevant aspects
- Procedures: We updated all critical operating procedures for the platform, included in the operations manual
- Response to spills: We initiated a research and testing program for early spill detection technologies.

The platform life extension program resulted in Lloyds Register issuing a certificate of compliance to operate the platform for the next ten years.

The estimated investment for this project is €50 million, including investments made in 2011 and those planned for 2012 to complete improvements.

## Transport safety

Improving safety in the transport of goods and personnel is one of our key objectives. Therefore, we take action to control the associated risks.

*During 2011, we provided 2.500 hours of training on preventative and defensive driving.*

Improving safety in the transport of goods and personnel is one of our key objectives. Therefore, we take action to control the associated risks.

### **Programs to improve land transport**

We work continuously to reduce land transport accidents. Following on the actions we undertook last year, we continue to encourage awareness and enhance driving skills through training. During 2011, we provided 2,500 hours of training to drivers who transport out products. For example, we held courses on preventative and defensive driving while transporting products in our Marketing business in Spain. We also provide training to

employees who use their cars to commute to work, such as defensive driving and 4x4 driving courses in the AESA area, Astra Evangelist Company, in Argentina.

Other activities we have continued:

- Awareness activities, such as the "Do not be distracted" campaign in Marketing in Spain; one of its objectives is to raise awareness so workers drive safely and prudently
- Driver qualification activities, such as our actions in Argentina, in the AESA and Logistics areas, where we have been assessing drivers since 2005 with Reid systems to assess driving ability, behavior patterns and response to different stimuli, among others.

Moreover, we continued to equip vehicles with satellite navigation systems in order to track their location in real time. These systems make it possible to improve our understanding of the main areas of risk in the company's transport activities. Specifically, in the AESA area in Argentina, we provided personal and non-transferable tachograph keys, a tool that helps us automatically monitor aspects such as speed, distance and driver behavior, and to rate individual driver performance.

As part of our commitment to improving road safety, we collaborate in several initiatives with different institutions. We have joined the *European Road Safety Charter*, an initiative of the European Union, in which authorities, research institutions, associations and companies participate to share ideas and experiences that contribute to mitigating road safety problems and reducing road accidents and victims ([www.erscharter.eu](http://www.erscharter.eu)). We also collaborate with the Spanish Road Association, which aims to achieve a safer and higher-quality road network ([www.aecarretera.com](http://www.aecarretera.com)).

### **Requirements in sea transport**

Our company does not have its own shipping fleet; therefore, when hiring / ¿contracting? vessels from third parties, we adopt rigorous evaluation and inspection criteria, and we provide other companies with this screening / vetting service.

We continually verify that the vessels comply with the most demanding safety regulations. Our procedures include review of the documentation required from the vessel's technical operator and that obtained from international maritime databases, and a physical inspection during operations at the terminal, rejecting vessels from future operations where risks have been observed.

In 2011, we carried out a total of 1,834 preliminary vessel inspections, of which 1,287 (70.17%) were deemed acceptable for one journey and 636 were unacceptable. In addition, 918 physical inspections were carried out, resulting in 783 approvals (86%) and 136 rejections.

We maintain a set of online questionnaires at [www.vetting.repsol.com](http://www.vetting.repsol.com), which must be completed to obtain the vessel information necessary for the relevant classification: Age, flag, classification company, tonnage, type of hull; as well as ensuring compliance with the regulatory requirements of MARPOL (International Convention for the Prevention of Pollution at Sea) regarding operating limits with single hull vessels.

We currently require all vessels transporting crude oil for the company to have a double hull, regardless of the type of crude oil they transport.

For the transport of heavy products, in 2008 the company's screening procedures began to regulate the gradual phasing out of single hull vessels above 600 dead weight tonnage (dwt) in countries with exceptions to the SOLAS regulations (International Convention for the Safety of Life At Sea). We have achieved the following milestones:

- Since early 2011, all vessels greater than 5,000 dwt transporting heavy products have a double hull.

- As of January 1, 2012, all vessels greater than 600 dwt transporting heavy products must also have a double hull.

In both of these cases, our requirements stand regardless of national legislation and the type of navigation.

## Safety culture

We foster a safety culture through information, consciousness, awareness and training aimed at employees and contractors, as well as the people around us. We use different channels for disseminating information, rules and technical documentation.

*We provided 193,760 hours of safety training to own personnel and around 532.702 hours of training to contractor staff.*

We prevent risk situations in work centers through the seven basic rules for saving lives.

All our employees are responsible for safety, as well as contributing to the safety of all the people around us.

In 2009, to bolster our safety culture, we approved the seven basic rules that prevent risk situations (situations which lead to most fatal accidents in our centers), and a comprehensive communication plan was drawn up to raise awareness of the importance of compliance. During 2011 as a continuation of the work carried out, this campaign was enhanced in specific ways for each business.

### **7 rules to save your life:**

At the Wheel, drive safely.

For any activity, a current work permit.

Lockouts always secure and marked.

Accessing confined spaces, only with authorization.

During excavations, secure the area.

Double-check your protection and supports when working at a height

Never lifting operations, never stand below the load.



## Training programs

We foster a safety culture through information, consciousness, awareness and training aimed at employees and contractors, as well as the people around us. We use different channels for disseminating information, rules and technical documentation.

In 2011, a total of 14,837 employees received 193,760 hours of occupational health and safety training.

<b>Training in safety and occupational health 2011<sup>37</sup></b>			
	<b>Hours</b>	<b>Persons<sup>38</sup></b>	<b>Rate of coverage<sup>39</sup></b>
Spain	93,652	7,422	39%
Argentina	53,705	3,950	25%
Other Latin America <sup>40</sup>	36,935	2,399	43%
Rest of the world <sup>41</sup>	9,468	1,066	48%
<b>TOTAL</b>	<b>193,760</b>	<b>14,837</b>	<b>35%</b>

The main training programs we carried out uniformly for all company businesses during 2011 dealt with incident investigation, safety and environmental risk analysis and defensive driving. Furthermore, we are continuing to intensify our training programs for contractors with a view to improving the control of typical risk situations in company activities. In 2011, moreover, we delivered around 532,702 hours of training to contractor staff.

## Safety awards

In order to improve the safety culture in our company, in 2011 we carried out several award campaigns, highlighting two in the Marketing Europe Managing Division:

- For the first time we granted the safety and environment award in Marketing Europe, which went to the Contractor Accreditation and Personnel Training project at the Service Stations network in Spain. We considered three finalist projects and assessed aspects such as performance improvement, impact on the brand image, impact on awareness and teamwork.
- Additionally, during the safety seminars of the Service Station area's Engineering and Maintenance Division we presented three awards to contractor companies for their safety performance. The three categories were:
  - Best Company of the Year in Safety

<sup>37</sup> The data includes training of our regular and temporary personnel. This does not include contractor staff training.

<sup>38</sup> Persons attending courses

<sup>39</sup> Percentage of persons who have undergone training in relation to the total staff.

<sup>40</sup> Bolivia, Brazil, Ecuador, Peru and Venezuela

<sup>41</sup> Algeria, Canada, USA, France, Guayana, Holland, Indonesia, Iran, Kazakhstan, Libya, Norway, Portugal, United Kingdom, Russia, Switzerland and Trinidad and Tobago

- Most Improved Companies
- Best Idea: As a special one-off campaign, this year we awarded the supplier with the best idea on safety among over 150 ideas assessed.

### **Sharing best practices**

A highlight in 2011 is the exchange of experiences and best practice in the Direct Sales business unit of the Marketing Europe Managing Division, such as the Narrative Project of the Repsol Directo company area.

The objective of this Repsol Directo project is to capture and transfer knowledge among Repsol Directo drivers and to disseminate best practices to help improve safety and driver motivation. The action is aimed at Repsol Directo drivers, and indirectly to all those they come into contact with in their work.

A handbook was drawn up highlighting the eleven best personal stories among over forty identified. Among the stories included were those about the importance of using wedges on vehicles on steep slopes, paying attention when loading and unloading products in narrow streets, and following safety procedures.

We also defined a series of improvement areas to facilitate the dissemination and integration of best practices in the daily activity of Repsol Directo drivers.

## Promoting a low carbon strategy

We have exceeded our annual emissions reduction target in tons of CO<sub>2</sub> eq, achieving over 85% of the 2005-2013 strategic objective.

*In 2011 we have revised and updated our carbon strategy, the aim of which is to promote initiatives that ensure the sustainable supply of energy, energy efficiency and the development of non-fossil energies*

### Our data

In general, we report all of the environmental indicators of the companies in which Repsol has a majority participation and/or operating responsibility are included, on the basis of operational control. We also report direct greenhouse gas emissions arising from operations in which we are shareholders, wherein our reported emissions are calculated in accordance with Repsol's shareholding percentage in the relevant companies (a). We also give information on the indirect emissions associated with the purchase of electricity and steam (b), indirect emissions associated with the purchase of hydrogen (c), and on those deriving from customers' use of our products (d).

For our greenhouse gas reporting, we follow the industry guidelines drawn up by the *American Petroleum Institute (API)*, the *International Petroleum Industry Environmental Conservation Association (IPIECA)* and the *International Association of Oil & Gas Producers (OGP)*.

	2007	2008	2009	2010	2011
<b>Direct greenhouse gas emissions<sup>42</sup></b>					
CO <sub>2</sub> (millions of tons)	23.66	22.83	21.21	20.53	20.07
CH <sub>4</sub> (millions of tons) <sup>43</sup>	0.15	0.14	0.14	0.13	0.13
N <sub>2</sub> O (tons)	-	-	-	-	825
CO <sub>2</sub> e (millions of tons) <sup>44,45</sup>	26.73	25.82	24.08	23.34	23.14
<b>Intensity of greenhouse gases emissions</b>					
Intensity of refinery emissions (metric tons of	0.274	0.261	0.267	0.258	0.280

<sup>42</sup> Data on emissions from mobile sources is limited to those associated with transport.

<sup>43</sup> Data on fugitive and vented gas emissions is limited to that obtained from direct measurements or mass balance methods

<sup>44</sup> Data from 2011 include for the first time N<sub>2</sub>O verified under the ISO 14064 standard

<sup>45</sup> In order to establish common bases for comparison over time, making it possible to determine the evolution of greenhouse gas emissions, the previous year's emissions have been adjusted in line with changes in the company's asset structure. The baseline change criteria are included in the oil industry guidelines for greenhouse gas reporting (API/IPIECA/OGP). In late 2010 we sold our exploration and production activities at Bermeo in Spain; therefore the inventories for 2011 and the two previous years have been adjusted to remove the emissions from the facilities sold.

CO <sub>2</sub> e/metric tons of processed crude oil) <sup>46</sup>					
<b>Energy consumption</b>					
Fuel (millions of metric tons) <sup>47</sup>	7.23	6.75	6.25	5.96	5.80
Electricity purchased (10 <sup>6</sup> MWh)	3.88	3.66	3.10	3.56	3.18
Steam purchased (10 <sup>6</sup> GJ)	7.69	16.65	10.26	12.59	9.10
Total energy consumption (10 <sup>6</sup> GJ)	344.53	322.56	312.78	298.65	291.12
<b>Sales of biofuels (thousands of metric tons)<sup>48</sup></b>					
Biodiesel	10	153	562	1,176	1,441
Bioethanol	138	125	98	273	327

<b>Additional information on emissions (millions of metric tons)</b>	<b>2011</b>
Direct emissions of CO <sub>2</sub> e on the basis of shareholding participation (a)	26.17
Indirect emissions of CO <sub>2</sub> associated with the purchase of electricity and steam (b)	1.56
Indirect emissions of CO <sub>2</sub> associated with the purchase of hydrogen (c)	0.94
Emissions of CO <sub>2</sub> deriving from the use of our products by customers <sup>49</sup> (d)	146.29

## Advancements in international agreements

The 2011 COP 17 (*Conference of the Parties*) meeting in Durban, South Africa, the international deliberations among nations under the Kyoto Protocol, ended with an agreement by the 195 participating countries to work on a new international agreement on climate change. This agreement is to include both developed and developing countries for the first time. The countries signing the resolution have agreed that they will decide the method of this treaty to be implemented in 2020. Thus, countries with major emissions such as China, India and the United States would make the legal commitment to reduce emissions beginning in 2020.

<sup>46</sup>Data calculated based on CO<sub>2</sub>e from direct emissions (2011 data includes N<sub>2</sub>O emissions verified under the ISO 14064 international standard) and indirect CO<sub>2</sub> emissions associated with the purchase of electricity and steam.

<sup>47</sup>Data on 2011 includes 1.44 million tons of natural gas consumed (1.39 million in 2010 and 1.37 million in 2009).

<sup>48</sup>In Spain, an additional 1710 t of HVO (Hydrogenated Vegetable Oil) were marketed

<sup>49</sup>Data calculated based on API methodology (*American Petroleum Institute*): The Institute's Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Gas Industry.

In addition, a series of countries (EU countries, Norway, Australia and New Zealand) agreed to participate in the second commitment period for Kyoto Protocol to begin in 2013 and end in 2017 or 2020 (as decided at the COP 10 meeting in Qatar).

The Green Fund created at the previous COP, which aims to have an investment capacity of around US\$100.000 annual millions until 2020, is now operational and will be located in Switzerland.

## New 2011-2020 carbon strategy

Repsol shares the concerns of governments, citizens and society as a whole on the impact that human activity is having and will continue to have in the future on the climate. We promote initiatives to reduce carbon intensity in all of our businesses and the development of non-fossil energies.

In 2011, we reviewed and updated our carbon strategy. We analyzed the company's existing initiatives to reduce carbon intensity in all of our businesses, identifying synergies between these initiatives.

The drivers of Repsol's carbon strategy are:

### **1. Compliance with regulatory commitments and obligations**

We share the concerns of governments, citizens and society as a whole on the impact that human activity is having and will continue to have in the future on the climate. Our commitment to society is based on the principles described in our Position on Climate Change.

One of these principles is to collaborate with governments of the countries where we operate to facilitate compliance with national and international commitments, particularly the Kyoto protocol and its subsequent developments, and to provide constructive support for the development of new regulations.

### **2. Reducing carbon intensity in our value chain**

Our strategy promotes initiatives that reduce the intensity of carbon throughout the lifecycle of our products.

Therefore, our goal is to document our footprint for the entire company, which entails extending the scope of emissions inventories to include suppliers, customers and our own activities. We are also committed to making progress in calculating the carbon footprint of our products by establishing the most appropriate calculation methodology.

Repsol is also firmly committed to improving energy efficiency in its processes. Energy efficiency has the greatest short-term potential to reduce energy consumption and greenhouse gas emissions.

Although currently there is uncertainty on how quickly and fundamentally the world will turn towards a low GHG emission economy, our long-term vision includes a firm commitment to technological development, intensifying R&D projects aimed at the elimination and use of CO<sub>2</sub> by converting it from waste into a resource.

### **3. Developing non-fossil energy initiatives**

In our company, we are taking action to develop non-fossil energies through the New Energies business unit created in 2010 to identify business opportunities in fields such as bioenergy, renewable electricity generation and the electrification of transport.

### Additional information on the *Carbon Disclosure Project*<sup>50</sup>

Every year, Repsol participates in the *Carbon Disclosure Project* (CDP), the most important global initiative to analyze the carbon strategies of the companies in the *FTSE Global Equity Index series (Global 500)*. All Repsol's responses to the annual CDP questionnaire can be seen at: <https://www.cdproject.net>

The CDP questionnaire provides more details on the company's carbon strategy regarding:

- Progress against our objectives for reducing emissions
- Trial and ongoing initiatives for reduction of emissions (type, description of the activity, annual GHG emissions prevented, monetary savings, investment required and repayment period)
- Methods used to promote our investments in carbon reduction-related activities
- Risks and opportunities presented by climate change (regulatory, physical, and changes in other developments related to climate)
- Scope 1 and 2 emissions, including a breakdown by country, business and installation, and indicators of emissions intensity
- Scope 3 emissions
- External verifications of Scope 1, 2 and 3 emissions

The information contained in this Report, on our corporate website [repsol.com](http://repsol.com), and in our CDP submission constitutes the Repsol information on climate change.

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

## Carbon markets

International emissions trading is the first of three flexibility systems established in the Kyoto Protocol. It is a market-based mechanism that will allow countries to reduce emissions at the least possible cost to society, driving investment in research, innovation and technological improvements.

The situation of carbon markets has been marked by high volatility triggered in the EU ETS (*European Union Emissions Trading System*) since August 2011. The sharp fall in EUA (*European Union Allowance*) prices dragged down CER (*Certified Emissions Reductions*) prices, beginning a period of uncertainty on international markets that still continues. However, in this environment Repsol has successfully continued its policy of long-term coverage by purchasing carbon credits generated by two CDM (*Clean Development Mechanism*) projects in Taloja (India), by reducing N<sub>2</sub>O emissions in two nitric acid plants (WNAI and III).

With regard to our Group CDM projects, we continued with our policy on analyzing all potential development opportunities.

## Reducing carbon intensity in our value chain

Repsol is also firmly committed to improving energy efficiency in its processes to reduce energy consumption and greenhouse gas emissions. At the refinery in A Coruña (Spain) we have obtained the first global certification for this type of facility according to international standard 'ISO 50001 Energy Management'.

<sup>50</sup> The information available in the response to the CDP 2011 questionnaire is relative to data from 2010 and previous years.

*In 2011, we have conducted energy audits at over 40 centers and 500 service stations in search of energy consumption savings.*

### **Energy efficiency**

For Repsol, energy efficiency is one of the main channels to mitigate CO<sub>2</sub> emissions and for streamlining operation of its plants and activities. To achieve this, we continued to implement a global energy management system for the company, with four main elements:

a) Medium term objective

The different company units establish internal annual and medium term objectives for energy intensity associated with their annual efficiency plans.

b) Annual energy efficiency plans in all company Units

All company business units develop detailed energy efficiency plans, identifying specific savings actions. In 2011, over 200 savings actions were taken in our facilities and activities.

c) Certification under the ISO 50001 international standard

Repsol has chosen to systematically standardize and implement an energy saving system is under the ISO 50001 benchmark standard. Under this standard, the A Coruña refinery was the first facility of this type in the world to certify its energy management system.

d) Conducting energy audits as a tool to visualize potential operating improvements

In 2011, we continued to conduct energy audits in the different company units to find savings and opportunities for lower consumption. Specifically, we conducted internal audits in three industrial refining centers, as well as an inter-center audit at the A Coruña refinery, seven audits in Chemical plants, two audits of refining activities in Peru and 11 audits in different LPG units worldwide. Energy audits were conducted in over 40 facilities and almost 500 service stations in Spain.

In order to reduce process-related energy consumption, the Repsol Technology Center has lines of work dedicated to detecting improvement opportunities in the units, both on an operating level (streamlining our processes) and identifying specific investments with an important potential for reducing CO<sub>2</sub> emissions. We are working on providing methodologies that aid energy management in refineries and chemical plants, systematically detecting potential energy savings in process plants. These tools allow us to obtain a ranking of potential savings and prioritize the allocation of resources for improvement actions.

#### **Repsol A Coruña refinery (Spain) achieves the ISO 50001 certificate**

Our energy efficiency activities included our achievement of the new ISO 50001 standard for the Energy Management System at the A Coruña refinery, in July 2011.

This is the first facility in the world of this kind certified by a third party under this standard. The project was conducted in several stages, involving people from a variety of functions.

Implementing this system allows us to:

- Consolidate energy management criteria and best practices at the refinery, apply them uniformly across areas, systematize work methods, prioritize improvement opportunities and ensure that these efficiency criteria are present in all activities undertaken at the facility by integrating them with other management systems
  - Reduce energy consumption by incorporating all energy management-related activities into a cycle of continuous improvement. To do this, we have developed tools to identify, analyze and implement savings opportunities, and efficiently monitor energy consumption and related processes or activities.

This system is part of Repsol's commitment to efficiently using energy at its facilities to

preserve natural resources, reduce atmospheric emissions and contribute to mitigating climate change effects.

The result of this project not only leads to a reduction in environmental impact but also decreases costs. Global energy management, including daily operation control, contributes to reducing energy costs by optimizing our energy consumption, both in terms of efficiency (using or improving installed technology) and monitoring of prices and types of energy.

After this successful experience, we will extend this program to the Puertollano refinery by implementing an Energy Management System to obtain ISO 50001 certification.

### **Carbon management throughout our value chain**

At Repsol's Technology Division we research how to reduce the carbon footprint of our processes and products. The asphalt area has developed more eco-efficient products and processes, enabling us to reduce CO<sub>2</sub> emissions when manufacturing and recycling roads. In the field of engines and energy for transport, technology prospecting is the starting point for developing new products and adapting existing ones, in order to evolve alongside the automobile industry towards sustainable transport.

In 2011, we updated our technology prospecting survey, covering the latest trends in both conventional heat engines and electric propulsion. We also made important efforts to develop more environmentally friendly lubricants, formulated with renewable raw materials and recycled ingredients, reducing consumption of virgin ingredients, with an important reduction in the environmental impact of these products throughout their lifecycle.

Regarding fuel research and development, at Repsol we always select fuel additives to keep pace with the latest in environmentally friendly trends, such as our Diesel e+ and Diesel e+10 products. These packages of additives are specially formulated to match the percentage of biodiesel included in current specifications.

Moreover, as of 2010 airline operators with destination or origin in the EU are required to reduce their CO<sub>2</sub> emissions to a target value of 50% by 2050. The use of Biojet as an aviation fuel is one tool for achieving this target. We researched the viability of producing Biojet through co-processing in vegetable oil and mineral kerosene refining, changing the catalytic process of a conventional mineral kerosene unit. As a result, we obtained a product comparable to the conventional fossil-based aviation fuel Jet A-1.

Furthermore, we continue to make progress in our commitment to reducing greenhouse gas emissions at our facilities, and especially gas flaring. In 2011, we avoided 622,300 tons of CO<sub>2</sub>e thanks to reduction activities verified under ISO 14064-1 or under the CDM scheme, and over 240,000 correspond to emissions reduced by projects where we did not burn waste gases in flares:

- The project implemented in the La Plata refinery (Argentina) was registered under the Clean Development Mechanism in December 2010
- Another similar action undertaken at the Luján de Cuyo Refinery (Argentina) is currently undergoing CDM registration at the United Nations and was verified under the ISO 14064-1 international standard for greenhouse gas measurement in 2011
- Our project for the recovery and optimum use of waste gas in the Block 16 production field (Ecuador) was also verified under the ISO 14064-1 international standard.
- 

### **Green flight**

Iberia and Repsol carried out the first Spanish flight powered by biofuel on October 3, 2011. The route selected was the Madrid - Barcelona shuttle service and the airplane an Airbus A320 belonging to Iberia. During the flight 2,600 kilos of biofuel were consumed, producing a savings of around 1,500 kilos of CO<sub>2</sub> emissions.

The fuel used in the test flight was a mixture of conventional kerosene (75%) and synthetic

paraffin biokerosene (25%) obtained from camelina oil.

On July 1, 2011, international regulations were approved to allow the use of mixtures of conventional and synthetic kerosene (produced from esters and fatty acids) up to a maximum volume of 50%, allowing its use in regular or commercial flights with passengers and not solely demonstration.

### **New channels for reducing emissions**

Carbon capture and storage (CCS) consists of capturing CO<sub>2</sub> from an emissions source and compressing it, transporting it, and injecting it into underground rock formations to achieve effective long-term confinement. CCS is seen by several expert bodies (EIA-US *Energy Information Administration*, European Union, among others) as one of the mechanisms that, along with energy efficiency, renewable and nuclear energies and biofuels, will help enable us to stabilize the concentration of atmospheric CO<sub>2</sub> in the long term. Use of these technologies is particularly important for Repsol, given the high percentage of our energy production coming from hydrocarbons.

Repsol will focus our actions on CCS projects that are financially viable and strengthen our social license to operate. We will also intensify our R&D programs aimed at transforming CO<sub>2</sub> to value-added products in order to convert it from waste into a resource.

Repsol leads the CO<sub>2</sub>FUNNELS project, a demonstration project aimed at capturing CO<sub>2</sub> from industrial processes for use in the carbonic fertilization of energy crops, thus obtaining biomass that may in turn be used to produce energy. This project is carried out on a 3,000 square meter plot in the Puertollano Industrial Complex. Five 400m<sup>2</sup> funnel-type greenhouses have been installed with drip irrigation systems, CO<sub>2</sub> dosing pipes, sensors to monitor temperature, humidity and CO<sub>2</sub> concentration and equipment to measure flows of CO<sub>2</sub> in air and soil.

### **Non-fossil energy initiatives**

The business unit for New Energy was set up to boost and provide a business grounding to new initiatives that contribute to a more diversified future energy mix with a reduced intensity of carbon dioxide emissions

*In June we acquired 100% of Sea Energy Renewables, a company dedicated to promoting, developing and operating offshore wind farms in the United Kingdom.*

After the creation of the New Energies Business Unit in 2010, in 2011 we made progress in projects already underway, including AlgaEnergy, IBIL, KUOSOL and Orisol. Moreover, taking advantage of new investment opportunities in the field of non-fossil energy, Repsol New Energies acquired 100% of SeaEnergy Renewables, a company dedicated to promoting, developing and operating offshore wind farms in the United Kingdom.

Furthermore, we created Repsol New Energy Ventures, S.A. to invest in companies with a strong technological base whose results could be applied to group businesses.

### **Biofuels**

During 2011, we continued to make progress in the KUOSOL project, designed to use biomass from *jatropha curcas* plantations, produce oil as a raw material for biofuels and generate electricity through cogeneration. At present, the project is focused on planting land related work.

We also remain involved in production of biofuels from algae in partnership with our investee company AlgaEnergy. In June 2011, the Technological Platform for Experimentation with

Microalgae (PTEM in Spanish) was launched in terminal 4 of Madrid-Barajas airport. This project researches the capture of CO<sub>2</sub> from airport facilities as a nutrient used by microalgae for conversion into biofuel. This project, with an estimated investment of €600,000, is an important achievement for research and development in this sector. The facility for this project, provided by AENA (Aeropuertos Españoles y Navegación Aérea), occupies an area of 2,000m<sup>2</sup>, half of which is occupied by a greenhouse, allowing us to compare against the crop behavior and yield produced outdoors. Scientists from the Universities of Seville and Almeria, and the Spanish National Research Council are also collaborating in this project.

The biofuel unit also focused on assessing ethanol and vegetable oil projects, mainly in the northern region of Latin America, aiming at developing projects that are economically, environmentally and socially sustainable.

In 2011, Repsol hosted the United Kingdom–Spain bilateral seminar on microalgae and their application as biofuels, at the Repsol Technology Center. During the seminar, experts from both countries shared their knowledge on the subject and collaboration opportunities arose to make progress in this field. Notable topics of discussion were the important time for research in both countries, the need to reduce microalgae cultivation costs and discussion of their major environmental benefits. The seminar was closed by their Royal Highnesses the Prince and Princess of Asturias and the Prince of Wales.

### **Transport electrification**

Throughout 2011, IBIL, the company in which Repsol New Energies and EVE (Ente Vasco de la Energía), the Basque Government's energy agency, each hold a 50% stake, has, since its creation in 2010, advanced in its effort to become the largest and most important electric vehicle charging provider in Spain. IBIL was the first company accredited by the Spanish Ministry of Industry and registered by the National Energy Committee as a company licensed to sell electric energy for recharging services after the entry into force of Royal Decree 647/2011, which regulates system charging manager activity as indicated in the Electricity Industry Act.

IBIL has managed the installation of a total of 109 posts, which allow electric vehicles to charge with full guarantees of safety and reliability, monitored at all times from the new control center located in Barakaldo (Bizkaia, Spain). It has also collaborated intensively with electric vehicle manufacturers, entering into joint marketing agreements with the vast majority (including Renault, Nissan, Peugeot, BYD-Build Your Dreams, Toyota) from within car dealerships.

In 2011, IBIL's scope of activity was extended to the whole of Spain. A national business plan was drafted for this purpose, which is already being rolled out. 2011 was also the year we created IBILEK, an hourly electric vehicle rental service. Through this new company we offer an alternative mobility service to private cars, offering users electric or hybrid plug-in vehicles, paying only for usage as they go. IBILEK was launched in December in Bilbao.

In short, 2011 was a year of major achievements for Repsol in terms of electric mobility, and we have taken the first steps towards new and significant challenges for the future.

### **Renewable electricity generation**

In 2011, we continued working to promote renewable generation projects through our subsidiary Orisol in countries such as Spain, Italy, Romania and the United States, among others. Some important milestones are the start-up in Sierra de Arcas (Andalusia) and the awarding of 9 and 51 MW of the tenders in Aragon and Andalusia, respectively.

Moreover, we analyzed opportunities to invest in other renewable electricity generation projects such as geothermal energy and biomass, and we continue to point our development towards energies with a strong technological component, such as floating offshore wind technology (for depths of over 50 m), current and wave energy, and energy storage.

In June 2011, Repsol acquired 100% of the British company *Sea Energy Renewables*, an offshore wind farm promotion and development company based in Scotland. The acquisition cost came to €57 million.

Repsol currently has a renewable electricity generation capacity of 318 MW from wind, mini-hydraulic and cogeneration technologies through our stake in Gas Natural Fenosa. This produced 714 GWh of electrical energy in 2011.

### **Developing offshore wind energy in the United Kingdom**

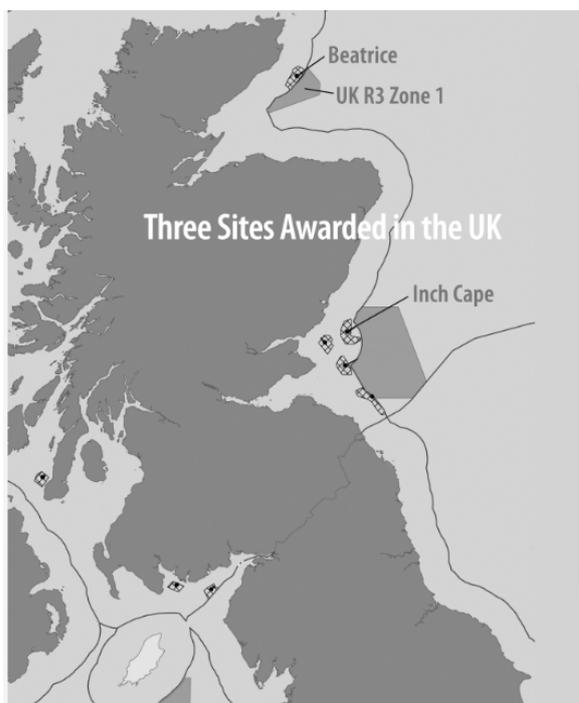
2011 was particularly important for the renewable generation area and its contribution to positioning the group in new initiatives with lower CO<sub>2</sub> emissions.

The purchase of the Scottish company *Sea Energy Renewables* and, as a result, our acquisition of stakeholdings in developing 1,190 MW net of offshore wind energy in the United Kingdom is one example of this.

The United Kingdom is the leading country in developing offshore wind energy and its endeavor to promote investments in this technology is clear. It has set a target to have an installed capacity of 30-35 GW in 2020, as a way to achieve the emissions reduction targets set by the EU. Examples of this are the action plan published by the Government and a new regulatory framework that guarantees, in a clear and transparent way, proper remuneration for this technology.

All this support, together with our offshore capacity and our experience in managing complex projects, has been instrumental in Repsol's decision to join the offshore wind power sector in the United Kingdom.

These projects are well within the target deadlines; the development phase is estimated to be completed in 2013, at which time we must decide to start the construction phase, a period that will last approximately three years, to finally start commissioning as of 2016.



### **Map of the location of offshore wind farms**

Encabezados:

Project; Repsol Share; electricity generation capacity (MW); Partner

Proyecto	Participación Repsol	Potencia (MW)	Socio
Beatrice	25%	920	 SSE Renewables
Inch Cape	51%	905	 edp renewables
MORAY (UK R3)	33%	1,500	 edp renewables

## Our emission reduction objective

In 2011, we have exceeded our annual emissions reduction target in tons of CO<sub>2</sub> eq, achieving over 85% of the 2005-2013 strategic objective.

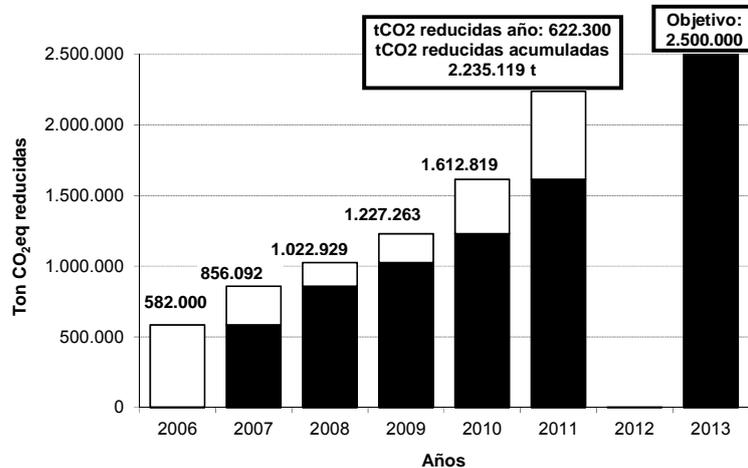
Repsol continues to pursue the long term objective to reduce 2.5 MtCO<sub>2</sub> compared to the business as usual scenario, between 2005 and 2013. The annual reduction target for 2011, approved by the Executive Committee, was 320,200 tons. Thanks to actions verified under to the ISO 14064 standard, we have surpassed this target by achieving a reduction of 622,300 t of CO<sub>2</sub>.

There are 26 reduction actions grouped into the following categories:

Business unit	Facility	Number of actions	Type of actions	Reduced emissions (tCO <sub>2</sub> )
Refining Spain	A Coruña Refinery (Spain)	5	Energy integration between units, improving energy efficiency, fuel change	44,437
	Puertollano Refinery (Spain)	2	Improving energy efficiency, optimizing the use of steam	14,620
	Cartagena Refinery (Spain)	2	Improving energy efficiency, fuel substitution	21,975
	Tarragona Refinery (Spain)	3	Improving energy efficiency	17,519
	Bilbao - Petronor Refinery (Spain)	3	Improving energy efficiency, optimizing the use of steam, fuel substitution	109,805
Chemicals EURM	Tarragona Chemical Complex	1	Reduction of steam consumption in the Cogeneration 2 plant degasser.	38,442
	Puertollano Chemical Complex	1	Connecting the PF-2 Tower to the circuit with the PF-1 Tower and the Extrusion tower	1,102
Refining Peru	La Pampilla Refinery (Peru)	1	Improving energy efficiency	35,531
Upstream	Block 16 (Ecuador)	1	Optimization of the gas system and flare gas recovery	15,028
Refining YPF	La Plata Refinery (Argentina)	1	Flare gas reduction	150,748,1
	Luján de Cuyo Refinery (Argentina)	3	Flare gas reduction, improving energy efficiency	128,973
Chemicals YPF	Ensenada Industrial Complex (Argentina)	2	Improving energy efficiency	33,020

E&P YPF	Cañadón León Field (Argentina)	1	Replacement of Caterpillar generators with Genbacher models	motor	11,100
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### Cumulative reduction of CO<sub>2</sub> equivalent emissions



Cumulative reduction of CO <sub>2</sub> equivalent emissions								
	2006	2007	2008	2009	2010	2011	2012	2013
Cumulative metric tons of CO <sub>2</sub> e reduced	0.582	0.856	1.023	1.227	1.613	2.235		2.500
Metric tons of CO <sub>2</sub> e reduced during the year	0.582	0.274	0.167	0.204	0.386	0.622		

## Our results

### Greenhouse gas emissions<sup>51</sup>

Our direct emissions of CO<sub>2</sub>e fell by 1% compared to 2010, due mainly to reduced activity in exploration and production operations in Argentina, caused by union conflicts in Santa Cruz (Argentina) and by replacing liquid fuels with gas fuels at the A Coruña refinery.

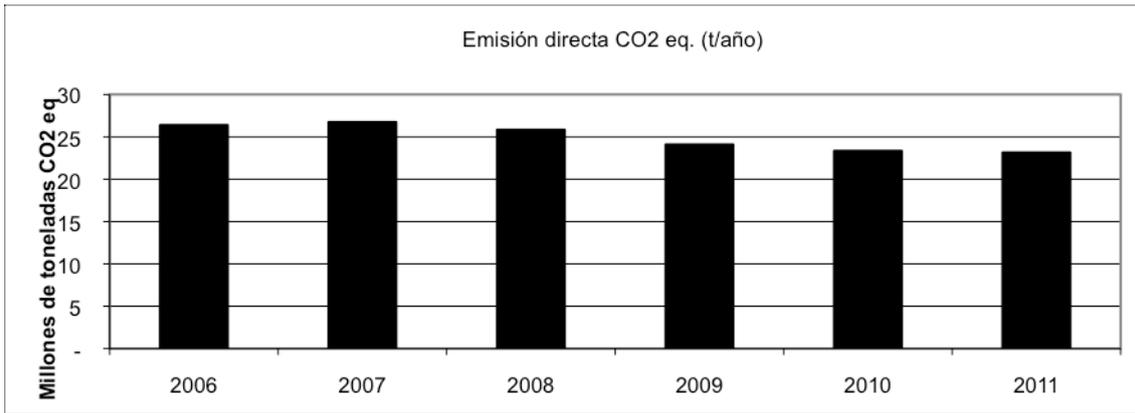
This reduction in CO<sub>2</sub>e essentially reflects a reduction in CO<sub>2</sub> of 2%, while methane has remained virtually unchanged. Additionally, N<sub>2</sub>O emissions verified under ISO 14064 standard criteria have been included for the first time in our measurement of direct emissions of CO<sub>2</sub>e, resulting in a lower reduction percentage than in previous years.

### Direct emissions of CO<sub>2</sub> equivalent<sup>52,53</sup>

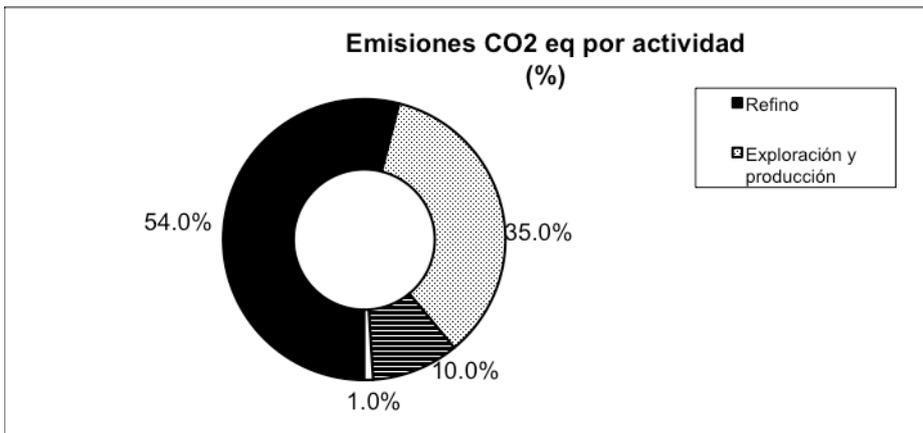
<sup>51</sup> Data provided on the operational control basis. For further information, see the section on Our Data.

<sup>52</sup> Data from 2011 include N<sub>2</sub>O emissions verified under the ISO 14064 international standard

<sup>53</sup> In order to establish common bases for comparison over time, making it possible to determine the evolution of greenhouse gas emissions, the previous year's emissions have been adjusted in line with changes in the company's asset structure, using criteria in the oil industry guidelines for greenhouse gas reporting (API/IPIECA/OGP). In late 2010 we sold our exploration and production activities at Bermeo in Spain; therefore the inventories for 2011 and the two previous years have been adjusted to exclude the emissions from those facilities.



Direct emissions of CO <sub>2</sub> equivalent					
Millions of metric tons	2007	2008	2009	2010	2011
Direct emissions of CO <sub>2</sub> equivalent	26.73	25.82	24.08	23.34	23.14

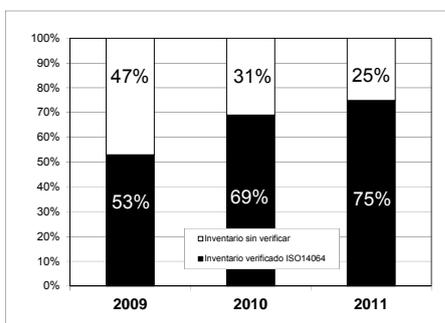


Direct emissions of CO <sub>2</sub> equivalent by activity	
% Activity	2011
Refining	54%
Exploration and production	35%
Chemicals	10%
Other	1%

During 2011, Repsol extended the scope of its CO<sub>2</sub> inventory verification under the ISO 14064 international standard, achieving the first certifications in Latin America in the Upstream

business. These operations were in Margarita in Bolivia, the Block 16 operation in Ecuador and Barrancas in Argentina. The addition of these operations means that 75% of the inventory of direct CO<sub>2</sub> emissions is currently certified under this standard.

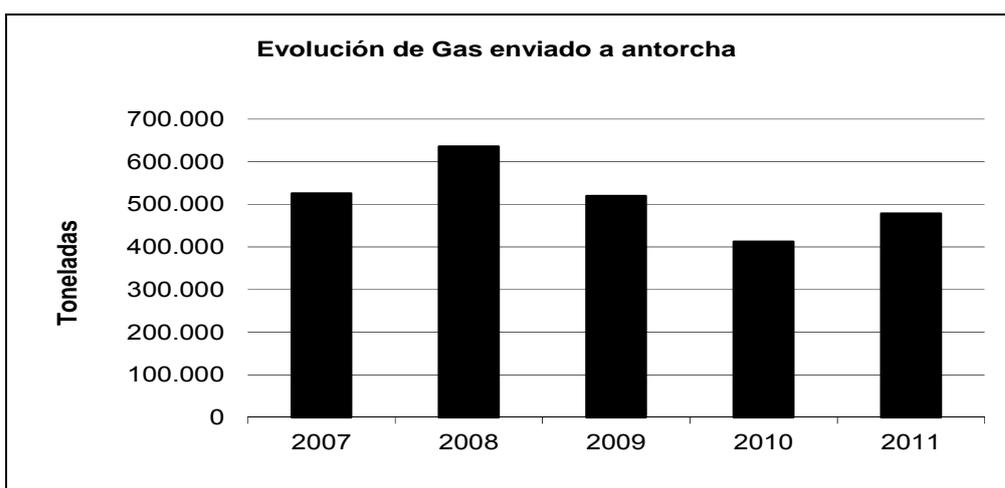
### Trends in greenhouse gas inventory verification



% Activity	2009	2010	2011
Unverified inventory	47%	31%	25%
Inventory verified under ISO 14064	53%	69%	75%

Flared gas increased 16% due mainly to the implementation of the C-10 project at the Cartagena refinery and to stoppages in several compressors in exploration and production in Trinidad and Tobago.

Furthermore, thanks to the reduction actions implemented in the La Plata and Luján de Cuyo Refineries in Argentina and in Block 16 in Ecuador, CO<sub>2</sub> emissions associated with flared gas fell by 244.367 tCO<sub>2</sub>.

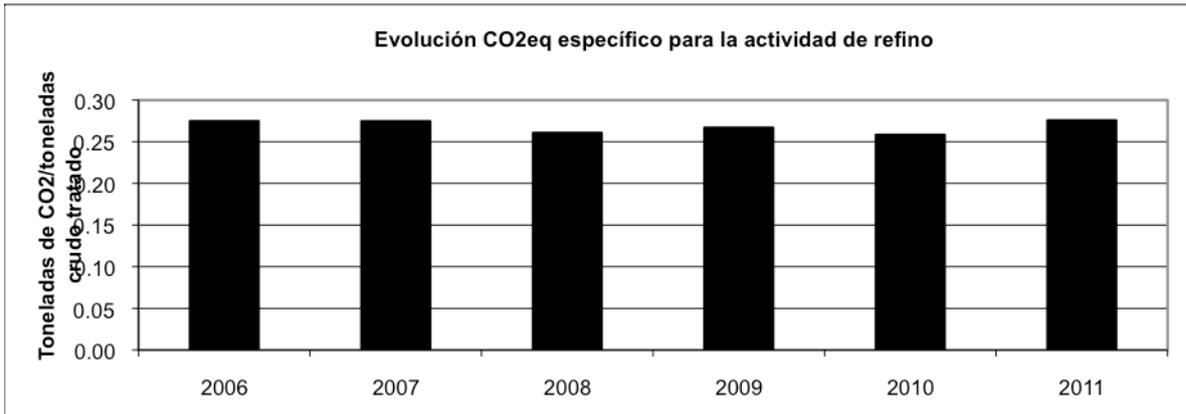


Trends in flared gas					
metric tons	2007	2008	2009	2010	2011
Flare gas	525,866	635,644	519,597	412,922	478,739

In addition to our direct emissions, we also annually report our indirect emissions of greenhouse gas, the following result from our activity but come from sources owned or controlled by third parties. In 2011:

- Emissions from purchased electricity or steam amounted to 1.56 million metric tons of CO<sub>2</sub> equivalent
- Emissions associated with manufacturing and transporting hydrogen stood at 0.94 million metric tons of CO<sub>2</sub> equivalent

**CO<sub>2</sub> equivalent from refining activity<sup>54</sup>**



Trends in emissions of CO <sub>2</sub> e: Refining					
Metric tons of CO <sub>2</sub> e/tons of crude oil processed	2007	2008	2009	2010	2011
CO <sub>2</sub> e from refining activity	0.274	0.2601	0.267	0.258	0.280

**Emissions from the fuels we market**

Emissions from our customers' use of the fuels we market stood at 145.77 millions of metric tons of de CO<sub>2</sub><sup>55</sup> in 2011.

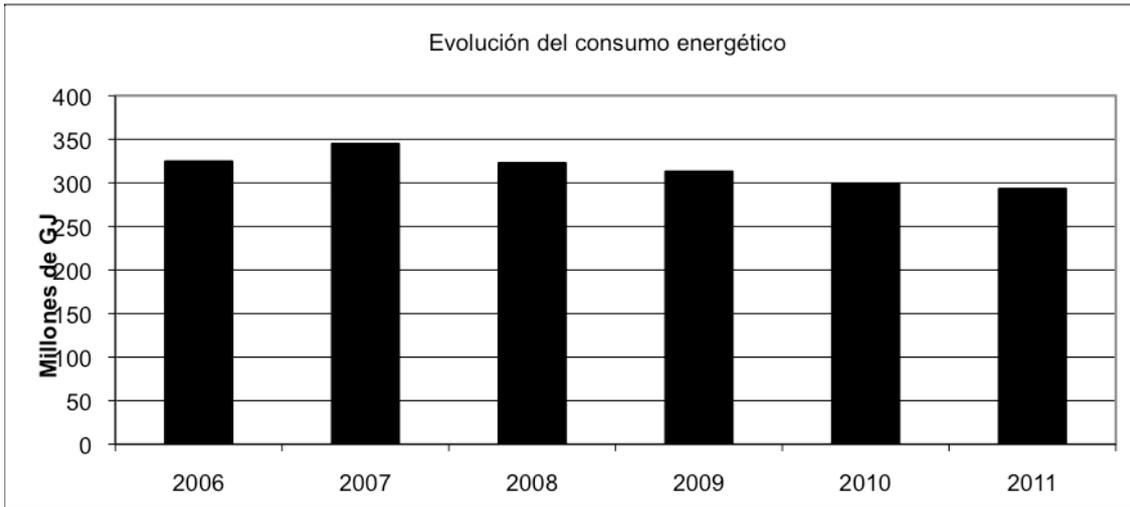
**Energy consumption**

In 2011, our total energy consumption fell by 2% due to the implementation of the C-10 project in the Cartagena Refinery during the 4th quarter.

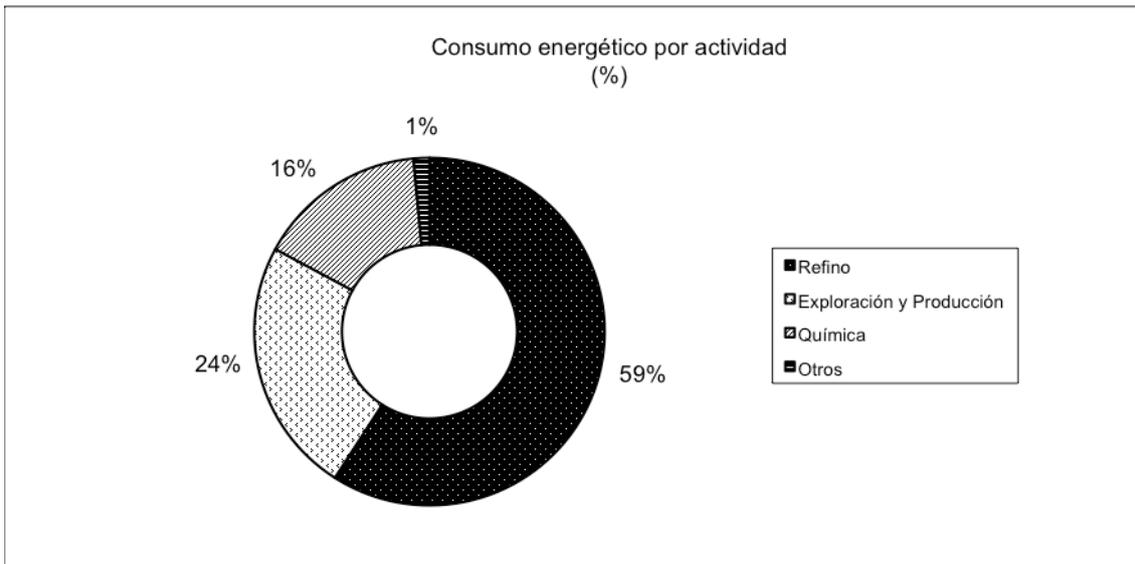
Of the company's total energy consumption, 92.9% is direct and 7.1% indirect (resulting from purchased electricity or steam from third parties).

<sup>54</sup> Data calculated based on CO<sub>2</sub>e from direct emissions (2011 data includes N<sub>2</sub>O verified under the ISO 14064 international standard) and from indirect emissions associated with the purchase of electricity and steam.

<sup>55</sup> Data calculated based on API (*American Petroleum Institute*) methodology: The Institute's Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Gas Industry.



Trends in energy consumption					
Million GJ	2007	2008	2009	2010	2011
Energy consumption	344.53	322.56	312.78	298.24	291.12



Energy consumption by activity	
% Activity	2011
Refining	59%
Exploration and production	24%
Chemicals	16%
Other	1%

## Distribution of biofuels

Repsol relies on a balanced market for obtaining and processing raw materials for biofuel production and takes the measures necessary to mitigate risks in our supply chain. The European Directive on promoting the use of energy from renewable sources defines sustainability criteria for biofuels. Its purpose, among others, is to protect land high in biodiversity value or with large carbon sinks. In Spain, Royal Decree 1597/2011 of November 4, regulates sustainability criteria and the national sustainability verification system, applicable as of January 1, 2013. The National Energy Commission (CNE) leads the specification of the operational aspects needed to ensure compliance with the Royal Decree; Repsol is an active participant in the working group set up for this purpose.

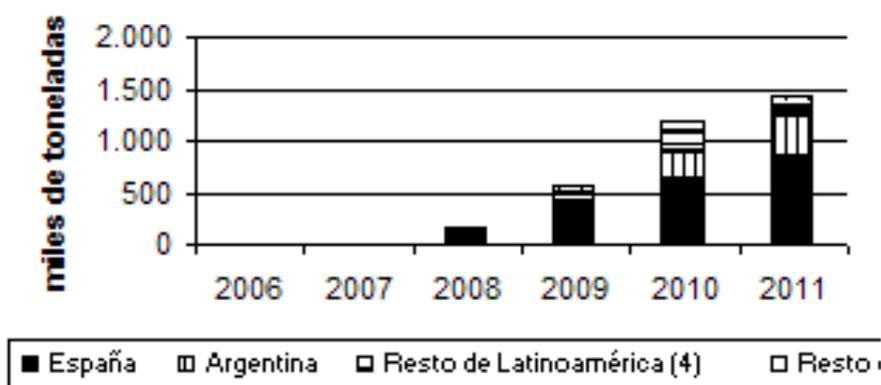
This European Directive delegates to the Commission the study and development of proposals and methodologies to measure emissions from carbon stock changes caused by indirect changes in land use. The European Parliament and Council must approve the measures to be adopted before December 31, 2012.

In undertaking its biofuel development and production projects, Repsol ensures full compliance with specified sustainability criteria.

In 2011, Repsol met its mandatory minimum annual targets for biofuels sales and/or consumption for transport in all the countries in which we operate. In 2011 in Spain, we distributed 843,000 tons of biodiesel, 242,000 tons of bioethanol and approximately 1,710 tons of hydrobiodiesel.

## Sales of biodiesel and bioethanol<sup>56</sup>

### Distribución de biodiesel



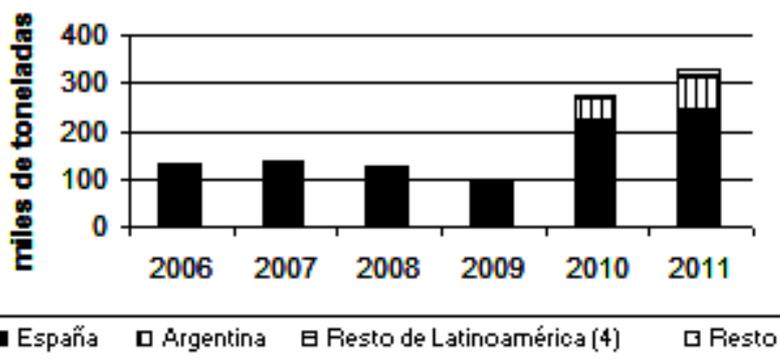
Sales of biodiesel					
Thousand metric tons	2007	2008	2009	2010	2011
Spain	10	83	376	610	843
Argentina	0	0	0	276	401
Other Latin America <sup>57</sup>	0	65	122	184	92

<sup>56</sup> In Spain, an additional 1710 t of HVO (Hydrogenated Vegetable Oil) were distributed.

<sup>57</sup> Peru and Brazil

Rest of the world <sup>58</sup>	0	5	64	106	105
TOTAL	10	153	562	1,176	1,441

### Distribución de bioetanol



Sales of bioethanol					
Thousand metric tons	2007	2008	2009	2010	2011
Spain	138	125	98	220	242
Argentina	0	0	0	50	70
Rest of Latin America <sup>59</sup>	0	0	0	4	15
Rest of the world <sup>60</sup>	0	0	0	0	0
TOTAL	138	125	98	273	327

<sup>58</sup> Portugal and Italy

<sup>59</sup> Peru and Brasil

<sup>60</sup> Portugal and Italy

# Minimizing our environmental impact

At Repsol we are committing with the environment protection, for this reason we make every effort to minimize the impact our activities may have on the environment.

## Our data

In general, we report 100% of the emissions to the environment that result from operations where Repsol has a majority holding and/or operating responsibility. We have a customized computer tool for recording, analyzing, monitoring, and consolidating environmental information, accessible to all of the company's facilities via our intranet, enabling us to upload and validate environmental indicators. We use a common methodology throughout all our lines of business, which is included in the company's Guide to Environmental Parameters and is based on internationally recognized documents and guidelines used in the sector.

	2007	2008	2009	2010	2011
<b>Atmospheric emissions<sup>61</sup> (metric tons)</b>					
SO <sub>2</sub>	102,003	89,872	72,167	63,042	56,613
NO <sub>x</sub>	95,823	89,785	89,099	90,124	79,069
NM VOC <sup>62</sup>	42,375	41,328	37,191	37,130	33,265
CO	25,726	23,442	21,839	21,638	21,316
Particulates	9,986	9,254	7,064	6,190	6,210
<b>TOTAL</b>	<b>275,913</b>	<b>253,681</b>	<b>227,360</b>	<b>218,123</b>	<b>196,473</b>
<b>Water management (metric kilo tons)</b>					
Water withdrawn	125,167	118,815	115,266	115,805	116,220
Dumped	58,972	63,606	60,899	66,629	65,439
Reused	20,915	19,571	18,127	15,966	15,160
Produced	191,589	189,365	177,902	185,059	183,406
Injected	196,413	193,580	181,762	190,022	187,713
<b>Discharges<sup>63</sup> (metric tons)</b>					
Hydrocarbons	170	187	207	165	167
Suspended solids	1,621	1,756	1,652	1,465	1,658
COD	9,839	6,087	5,540	5,903	11,314
<b>Waste management (metric tons)</b>					
Hazardous waste <sup>64</sup>	498,236	381,813	218,738	403,882	507,776
Non-hazardous waste	202,833	188,068	152,937	195,774	161,311
<b>Spills<sup>65</sup></b>					
Number of hydrocarbon spills greater than one barrel which affect the environment	1,228	1,207	1,328	1,618	1,670
Hydrocarbon spilled which affects the environment (tons)	919	3,173	994	923	1,391
<b>Environmental investment and expenses (€ million)</b>					
Environmental investments <sup>66</sup>	195	263	246	137	622

<sup>61</sup> Data on emissions from mobile sources is limited to transport-related emissions.

<sup>62</sup> Data on fugitive and vented gas emissions is limited to that obtained from direct measurements or mass balance methods

<sup>63</sup> The 2009 and 2010 data have been modified due to improvement in the calculation methodology for exploration and production operations in Trinidad and Tobago

<sup>64</sup> Hazardous waste treated, including that resulting from processing contaminated soil.

<sup>65</sup> We report spills greater than one barrel which affect the environment, including those arising from events external to the company, which in 2011 came to 58 spills, with a total spillage of 664 tons.

Environmental expenses <sup>67</sup>	126	145	146	138	147
<b>Environmental fines /sanctions<sup>68</sup></b> (€ million)			0.3	0	0

More information on our results on environmental matters at [desempenoyobjetivos.repsol.com](http://desempenoyobjetivos.repsol.com)

## Environmental management

Repsol's environmental principles are defined in our Health, Safety and Environment Policy, applicable throughout the company. To incorporate environmental, health, and safety criteria throughout the entire project cycle, let us minimizing environmental impact.

*During 2011, the extension to the refinery in Cartagena (Spain) has been completed, including significant environmental improvements.*

### Our strategic commitment to the environment

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

This requires a substantial commitment at all levels in our organization. The Executive Committee sets out the objectives and strategic guidelines in terms of safety and environmental issues, which form the basis for the targets and action plans for all company businesses. These plans identify actions required for the continuous improvement of our management, investments and associated expenses, and the adaptations to new legislative requirements.

Environmental objectives form part of the annual objectives of the business units and the annual objectives of individual Repsol employees with variable remuneration based on achieving objectives.

Since 2005, the Audit and Control Committee of the Board of Directors has overseen and directed the company's policy, guidelines and objectives on safety and environmental matters.

### We invest in improvement

In 2011, environmental investments amounted to €622 million. We made these investments mainly to improve the environmental quality of oil products, minimize emissions to air, improve spill prevention systems and, to a lesser extent, to optimize water consumption, reduce the contaminant load of spills and increase energy efficiency.

Some of our main projects conducted in 2011 included the following investments:

- Extending the distillation and conversion capacity of the Cartagena Refinery (Spain) with a total environmental investment of €316 million (€92 million in 2011)
- Improving fuel quality at the Luján de Cuyo (Argentina) refinery with an environmental investment amounting to €31.6 million
- The comprehensive action plan to protect the coast of Tarragona (Spain) with an environmental investment amounting to €6.6 million

<sup>66</sup> Includes investments to improve the environmental quality of products.

<sup>67</sup> The expenses deriving from the allowances necessary to cover CO<sub>2</sub> emissions are not included

<sup>68</sup> Arising from litigation or administrative proceedings finalized and settled in the year, with an amount equal to or greater than materiality thresholds set in the individual litigation letters of Group companies. For further details on the 2011 data, see the Annual Report of the Annual Consolidated Accounts, Note 34 "Liabilities, contingencies and commitments" and note 35 "Information on the environment".

- The continuation of our project to improve fuel quality at the A Coruña (Spain) refinery with an environmental investment of €6.5 million.

In addition, expenses<sup>69</sup> came to €147 million, of which €43 million pertained to soil and underground water management.

### **Environmental improvements in the Cartagena refinery (Spain)**

The C-10 project to extend the distillation and conversion capacity of the Cartagena refinery, which was completed in 2011, has been a huge success despite its being a complex industrial project. This is the largest industrial investment ever in Spain. It aimed to modernize the refinery by extending its capacity from 100,000 barrels/day to a capacity of 220,000 barrels/day and improving the *FCC equivalent* conversion rate from 0% to 92%. This project has enabled us to increase production of medium distillates, thus satisfying the demand for these products in Spain.

From the beginning of the project concerns for environmental care and improvement were a priority, leading us to take several actions that include:

- Installation of higher performance flare gas recovery systems
- More efficient water consumption management, integrated with wastewater processing. We have been developing annual water saving plans that enable us to reuse approximately 80% of all water withdrawn
- Achieving optimum recovery in sulfur plants (99.5% compared to the standard 98.5%)
- Reduction of chemical oxygen demand of water (COD) due to the spent caustic treatment plant
- More reliably segregating different waste products for better management: Hydrocarbons, amines, accidentally oily water, oily water, etc.

Furthermore, we implemented the best environmental practices for the construction sector recommended by the Spanish Ministry of Employment and Social Affairs, including promoting environmental training for employees; conducting energy saving information campaigns among employees; maintaining vehicles and heavy machinery in good conditions to prevent excess fuel consumption and reducing speed to dust particle emissions low; installing pressure relief, diffusers and low consumption sanitation devices at water consumption points; making regular inspections of plumbing installations to detect leaks; keeping hazardous products and waste isolated and contained to prevent spills or leaching; establishing agreements with suppliers to reduce packaging and favor reuse.

Continuing to apply these actions, along with searching for better available techniques and improvement opportunities, will allow us to continue optimizing environmental management in the daily life of the complex.

### **Our environmental management model**

Repsol's environmental principles are defined in our Health, Safety and Environment Policy, applicable throughout the company. One of these principles is to incorporate environmental, health, and safety criteria throughout the entire project cycle, in order to minimize environmental impact. This is achieved through the safety and environment management system, based on a clear set of requirements, procedures, and guidelines.

In 2010, the company approved a new corporate standard for safety and environmental risk management for our industrial assets to ensure that any risks to the safety of persons, installations, and the environment are identified, studied, and minimized throughout the entire lifecycle of our industrial assets. This standard establishes the environmental studies to be conducted during each stage of the lifecycle.

<sup>69</sup> The expenses resulting from the rights necessary to cover CO<sub>2</sub> emissions are not included

Moreover, in 2011 we approved a corporate standard setting common guidelines for assessing the environmental, social, and health impact patterns in all company operations. This standard largely focuses on human rights and health aspects as well as integrating these with environmental aspects. Specifically, the environmental part of the standard establishes the studies to be applied to all new projects: Identification of environmental resources and hazards, environmental baseline, environmental impact assessment and monitoring plan.

#### **Operating non-conventional resources**

The increasing depletion of conventional crude oil and gas fields and the development of new technologies have enabled us to begin operating non-conventional resources, such as shale gas and shale oil. They are currently an interesting source of resources as many are located in fields previously considered exhausted and where they are estimated to be found in large volumes.

Continuing this line of research, in 2011 the company made a major discovery of shale gas and shale oil in the Vaca Muerta area, in the province of Neuquén in Argentina.

This discovery was the result of exploration work that has required over US\$300 million since 2009. We expect to drill and complete 20 exploration wells in 2012 to prospect for resources in the area.

The company is applying best available practices in safety and the environment to all the project stages to ensure that risks and impacts related to this type of operation are continuously controlled and minimized.

For the non-conventional development of hydrocarbon extraction wells we use breacking techniques that include larger volumes of some inputs, such as water. The water flow used for the fracturing projected has been estimated at between 0.07 m<sup>3</sup>/s and 0.1 m<sup>3</sup>/s, which represents withdrawing between 0.6 % and 0.8 % of the ecological flow of the river.

The fractures are made at a depth of several thousand meters, causing no impact to aquifers that are used for human activities as these are usually found at shallower depths. Furthermore, as in conventional operations, before continuing the production process, the well is coated with cement to prevent any possible contamination of aquifers.

The chemicals used are those that have been used by the oil industry in the country for conventional crude oil and gas operations. Throughout the development of the work we periodically monitor all process operating conditions to take preventive action and ensure compliance with regulatory requirements applicable to drilling and production activities of this kind.

The project is constantly supervised by the appropriate authorities and with a policy of ongoing collaboration and contact with the authorities and the local environment.

Our efforts to ensure environmental protection and safety will be maintained as this project and any similar projects progress.

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

#### **Certified ISO 14001 centers**

The environmental management system is aligned with the ISO 14001 international standard and we encourage the progressive certification of our company sites to this standard as a way to promote continuous improvement and obtain external validation of our management systems. We currently have certification for all refining and chemical plants, all lubricant and specialities facilities, virtually all exploration and production centers and an increasing number of facilities for other company activities.

During 2011, we maintained this trend, increasing the number of certified centers with 18 new certifications: two LPG plants in Argentina (Junín and Córdoba), one LPG plant in Peru (Piura),

10 service stations in Peru, four marine and fishing supply facilities in Spain and a marketing subsidiary in Spain. See table Principal ISO 14001 Certifications in 2011.

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

<b>Principal ISO 14001 certifications in 2011</b>		
<b>Activity</b>	<b>Certified ISO 14001 centers</b>	<b>%</b>
Refining	9 of 9	100
Chemicals	8 of 8	100
E&P	14 of 15 <sup>70</sup>	93
LPG	37 of 50	74
Technological centers	2 of 2	100
Lubricants and Specialities	17 of 17	100

### Environmental audits

We have a safety and environment audit plan that includes internal audits, conducted by qualified personnel from a center other than the one under audit; legal external audits and audits for certification. This plan establishes three-year cycles over which all of our centers will be audited. Moreover, the number of audits must be balanced and complete, whereby audits are conducted on both technical aspects and those related to management systems. See the table Safety and Environment Audits 2011.<sup>71</sup>

<b>Safety and Environment Audits 2011</b>	<b>Number</b>
Internal	286
Certification	129
External (legal)	497
Total Repsol	<b>912</b>

### Promoting training

We promote awareness and training programs among employees to further enhance environmental protection. In 2011, we delivered 13,482 hours of environmental training to 2,221 employees. See table Environmental Training 2011.

<b>Environmental Training 2011<sup>72</sup></b>			
	<b>Hours</b>	<b>Persons<sup>73</sup></b>	<b>Rate of coverage<sup>74</sup></b>
Spain	3,170	1,150	6%
Argentina	6,134	477	3%
Other Latin America <sup>75</sup>	3,781	504	9%

<sup>70</sup> The total number of Exploration and Production centers was adjusted due to the sale of assets: Barrancas and Termobarrancas in Venezuela and Bermeo in Spain.

<sup>71</sup> Local internal audits carried out by personnel from within each center are not included

<sup>72</sup> The data includes training of our regular and temporary personnel. This does not include the training of contractor personnel.

<sup>73</sup> Persons attending courses

<sup>74</sup> Percentage of persons who have undergone training in relation to the total staff

<sup>75</sup> Bolivia, Brazil, Ecuador, Peru and Venezuela

Rest of the world <sup>76</sup>	397	90	4%
<b>TOTAL</b>	<b>13,482</b>	<b>2,221</b>	<b>5%</b>

## Atmospheric emissions

We continue making effort to minimize the emissions into the atmosphere. The design of improvements to facilities, processes and management systems and investment in new technologies are all measures that are making our goal of minimising environmental impact in the areas in which we operate into a reality.

*During 2011, the main emissions into the atmosphere (SO<sub>2</sub>, NO<sub>x</sub> and NMVOC) decreased 10%.*

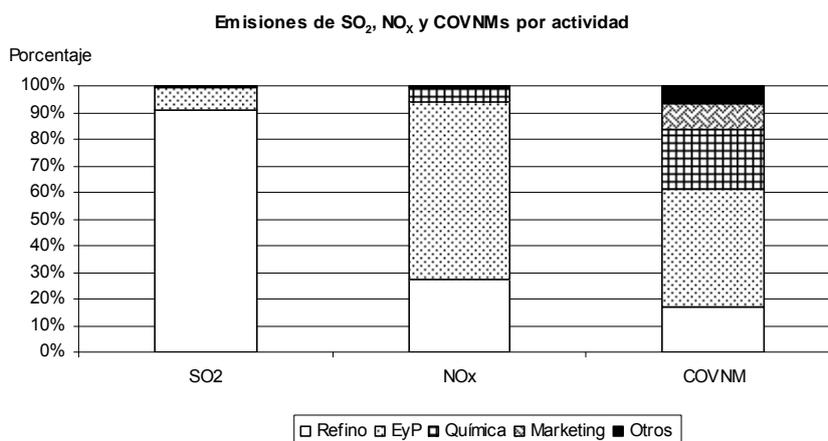
Our main air emissions to air are greenhouse gases<sup>77</sup>, sulfur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), non-methane volatile organic compounds (NMVOCs) and, to a lesser extent, carbon monoxide (CO) and particulate matter.

Emissions of SO<sub>2</sub> and NO<sub>x</sub> are for the most part generated in combustion processes within our refineries and exploration and production activities. In addition, there are fugitive emissions of methane and NMVOCs mainly in refining, in crude oil and gas extraction operations, in storage terminals, and in service stations during the handling of gasoline.

In 2011, our emissions of SO<sub>2</sub> went down by 10% compared to the previous year as a result of improved fuel quality and a lower concentration of sulfur in refining. Emissions of NO<sub>x</sub> and NMVOCs dropped 12% and 10%, respectively, mainly due to reduced activity in exploration and production operations in Argentina, caused by union conflicts in Santa Cruz (Argentina).

In addition, emissions of NMVOCs were also reduced due to improvements in LPG facilities in Spain and use of a revised, more accurate calculation methodology.

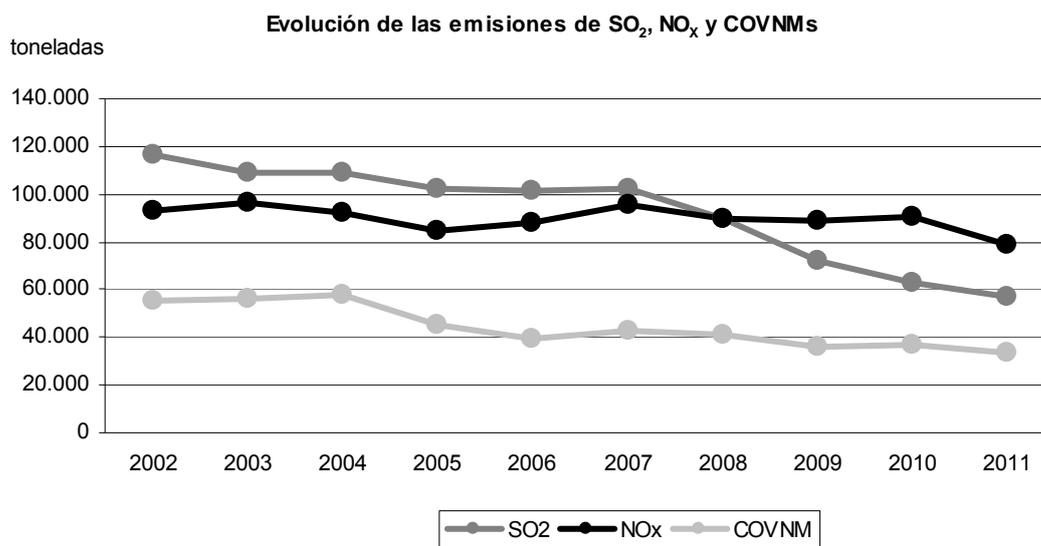
More information on emissions reduction programs and other actions emissions to the atmosphere at [casosdeestudio.repsol.com](http://casosdeestudio.repsol.com)



<sup>76</sup> Algeria, USA, Canada, Libya, Norway, Portugal, Russia, Trinidad and Tobago, Switzerland, France, United Kingdom, Guayana, Indonesia, Iran, Kazakhstan and Holland.

<sup>77</sup> Information on our greenhouse gas (GHG) emissions may be found in the Chapter on "Encouraging a low carbon strategy"

% Activity	SO <sub>2</sub>	NO <sub>x</sub>	NM VOC
Refining	91%	27%	17%
E and P	8%	67%	44%
Chemicals	1%	5%	23%
Marketing	0%	0%	9%
Other	0%	1%	7%
	100%	100%	100%



metric tons	2007	2008	2009	2010	2011
<b>SO<sub>2</sub></b>	102,003	89,872	72,167	63,042	56,613
<b>NO<sub>x</sub></b>	95,823	89,785	89,134	90,148	79,069
<b>NM VOC</b>	42,375	41,328	36,110	37,130	33,265

## Water management

At Repsol we aim to attain sustainable water use and management by continuously searching for solutions that deliver responsible use of water resources and preserve water quality, through design and effective implementation operations at all our facilities.

*We have conducted a preliminary identification of operations located in water stress areas*

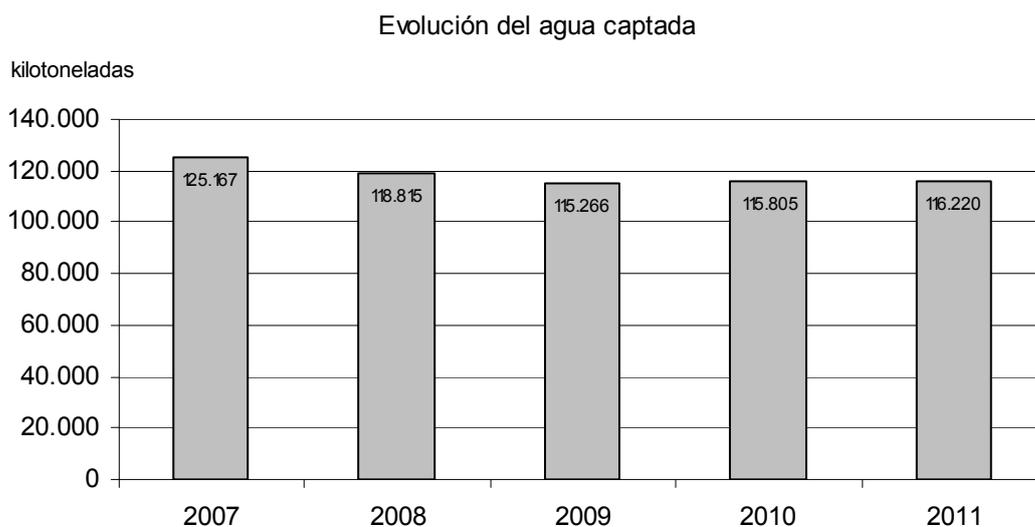
At Repsol we aim to attain sustainable water use and management by continuously searching for solutions that deliver responsible use of water resources and preserve water quality, through design and effective implementation operations at all our facilities.

Most of our water withdrawal takes place in refining and chemical activities. During 2011, we withdrew 116,220 metric tons, an amount similar to that used the previous year. Our main water sources are surface resources (56%), the public network (39%), and to a lesser extent underground aquifers (5%).

In 2011, we reused 15,160 metric tons of water, 13% of the water withdrawn, a similar quantity to the previous year.

As part of our annual objectives, in 2011 we continue to establish programs for streamlining water use and preserving its quality, mainly in our refining and chemical plants. Some of our most significant actions were implemented in the extension project of the Cartagena refinery (see case study on the Environmental improvements in the extension of the Cartagena Refinery).

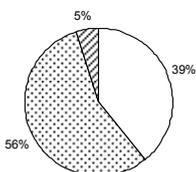
### Trends in water withdrawal



	2007	2008	2009	2010	2011
<b>Water withdrawn (metric tons)</b>	125,167	118,815	115,266	115,805	116,220

### Sources of water withdrawal

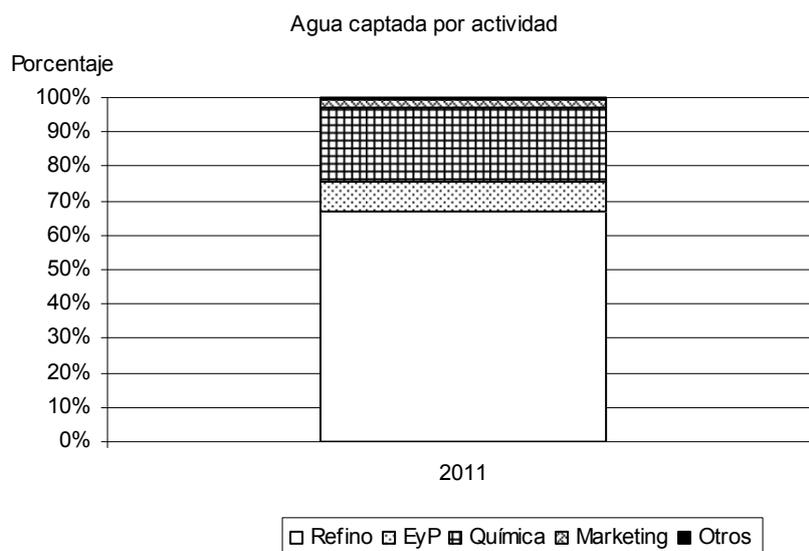
Procedencia del agua captada



Red Pública Recursos Superficiales Recursos Subterráneos

<b>% Water by source</b>	<b>2011</b>
Public network	39
Surface resources	56
Underground aquifers	5
<b>TOTAL</b>	<b>100</b>

## Water withdrawal by activity



<b>% Activity</b>	<b>metric tons</b>	<b>%</b>
Refining	77,958	67
E and P	9,714	8
Chemicals	25,140	22
Marketing	2,748	2
Other	660	1
<b>Total</b>	<b>116,220</b>	<b>100</b>

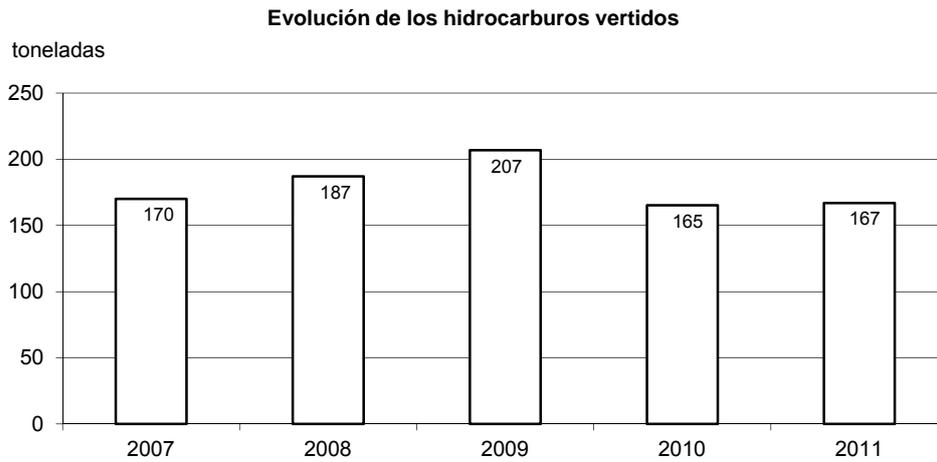
## Improving discharged water quality

We manage the quality of discharges with advanced technologies for processing, controlling, characterizing and separating the flows in order to minimize discharge and the contaminant load.

The main contaminants discharged at our facilities are: hydrocarbons, suspended solids and organic matter likely to undergo oxidation, measured as Chemical Oxygen Demand (COD).

During 2011, the discharge of hydrocarbons remained at similar levels to the previous year. Suspended solids and COD increased mainly in exploration and production operations in Trinidad and Tobago.

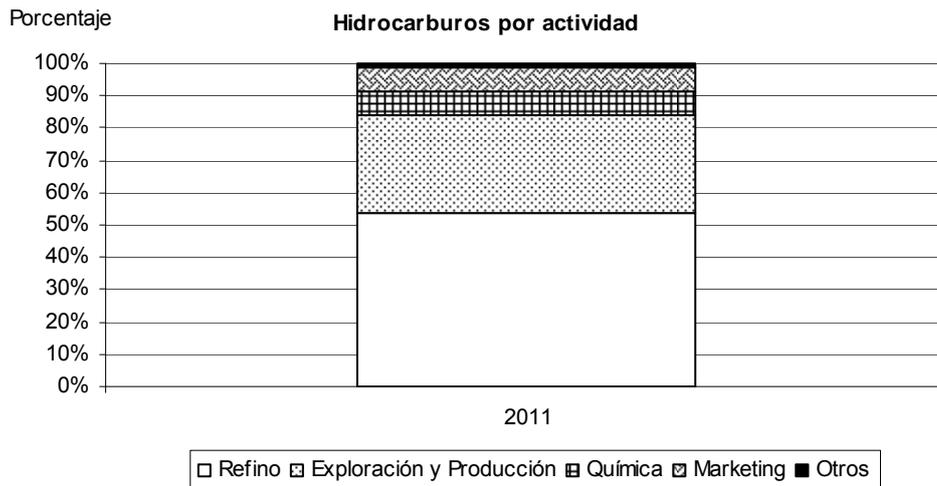
## Trends in hydrocarbons discharged to water<sup>78</sup>



metric tons	2007	2008	2009	2010	2011
Hydrocarbons	170	187	207	165	167

### Hydrocarbon discharge by activity

% Activity	metric tons	%
Refining	89	54
E and P	51	30
Chemicals	13	8
Marketing	12	7
Other	2	1
<b>Total</b>	<b>167</b>	<b>100</b>



<sup>78</sup> The 2009 and 2010 data have been modified due to an improved calculation methodology in exploration and production operations in Trinidad and Tobago

## Water-related risks and opportunities

We are aware that our company's exposure to risks associated with the use of water at our installations. To avoid these risks and take advantage of our opportunities, we have made great efforts to analyze and participate in the development of different methodologies on this topic in the oil and gas sector.

By participating in IPIECA (the global oil and gas industry association for environmental and social issues), we have worked to adapt to the *Global Water Tool* (GWT) developed by the WBCSD (World Business Council for Sustainable Development) to our sector. The use of this tool, along with other local information available, has enabled us to make a preliminary identification as to which of our operations are located in areas of water shortage in order to intensify our efforts there.

We also participated in developing the *Local Water Tool* (LWT), promoted by GEMI (*Global Environmental Management Initiative*), which allows a more detailed analysis of the risks associated with water management at a site level, with consideration for different types of risks. Those associated to water scarcity, water quality, new legal developments or possible cost increases, characteristics of ecosystems and possible conflicts with stakeholders, and others.

### Opportunities in water management

In 2011 we conducted a series of pilot studies that have helped us to identify opportunities to optimize water use and improve discharge quality, as well as prioritizing these based on a risk analysis.

These studies took place in three sites: the refining and petrochemical facilities in Puertollano (Spain), and our exploration and production operations in Block 16 (Ecuador). The objective was to identify the implications that water use can have both for the installation and its immediate surroundings, not only at present but also in the medium and long term.

We conducted detailed analyses of water balance in the facilities and of the main issues of water management. At the same time, we conducted a water risk analysis, based on the Local Water Tool methodology, in light of possible risks associated with current and future water availability and quality, the characteristics of local ecosystems and watersheds, possible legal developments and price policies that may have greatest impact and possible conflicts with local stakeholders.

We plan to extend this analysis in 2012 to other refining, chemicals and exploration and production centers, the better to identify and manage all possible water-related risks in our facilities and to continue to make improvements.

## Waste management

At Repsol we endeavor to minimize waste generation and to improve its treatment throughout the lifecycle of our activities. We adopt measures aimed at improving internal waste treatment and developing programs to minimize waste at all stages of the process.

*During 2011, 46% of our hazardous waste and 24% of our non-hazardous waste was reused or recycled.*

At Repsol we endeavor to minimize waste generation and to improve its treatment throughout the lifecycle of our activities. We adopt measures aimed at improving internal waste treatment, developing programs to minimize waste at all stages of the process, encouraging reuse and recycling and the replacement of raw materials and additives.

The waste we produce may come from productive activities, such as oily muds from cleaning tanks that result from long stoppages and maintenance operations, and from non-productive

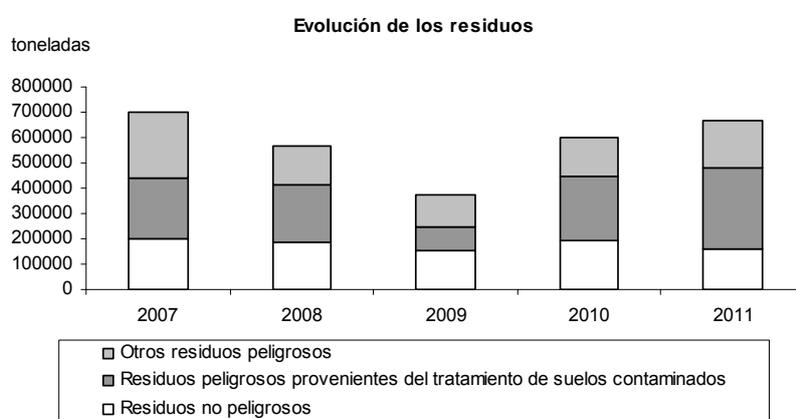
activities, such as waste from remediating soil, drilling operations or during facility construction or dismantling operations. These types of activities from time to time produce large quantities of waste, causing significant variations in the annual amounts reported.

To better understand trends in the amounts managed, we are, for the first time, including information on hazardous waste associated with processing contaminated soil.

During 2011, our hazardous waste was up 26% compared to the previous year, due mainly to an increase in the treatment and disposal of waste from contaminated soil processing in exploration and production activities, largely in Neuquén in Argentina. In addition, our non-hazardous waste decreased by 17%, mainly in exploration and production operations in Chubut (Argentina).

During 2011, 46% of our hazardous waste and 24% of our non-hazardous waste was reused or recycled.

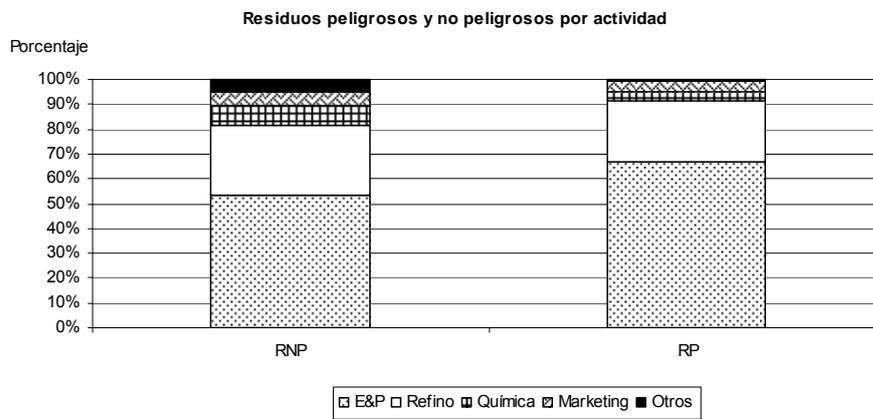
### **Trends in hazardous<sup>79</sup> and non-hazardous waste**



	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Non-hazardous waste	202,833	188,065	152,937	195,774	161,311
Hazardous waste from processing contaminated soil	237,206	227,387	90,433	253,047	315,850
Other non-hazardous waste	261,030	154,426	128,305	150,835	191,926

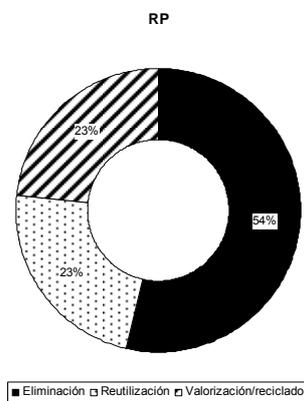
<sup>79</sup> Hazardous waste managed, including that resulting from processing contaminated soil.

## Hazardous and non-hazardous waste management by activity



% Activity	Hazardous waste	Non-hazardous waste
Refining	24%	28%
E and P	67%	54%
Chemicals	4%	8%
Marketing	4%	5%
Other	1%	5%

## Hazardous waste management 2011



## Non-hazardous waste management 2011



More information on programs and action on waste management at [casosdeestudio.repsol.com](http://casosdeestudio.repsol.com)

## Prevention of spills

Repsol has an internal regulation to Marine and Fluvial Oil Spill Management, in compliance with the provisions of the company's Health, Safety and Environmental Policy regarding the prevention of impacts and the minimization of risks caused by our activities and installations.

*We have begun implementing the action plan in the maritime area of Tarragona (Spain) to improve environmental protection and this plan involves a total investment of €131 million over the next four years.*

Most spills that take place in the oil and gas industry result from exploration and production activity.

During 2011, we recorded an increase in the amount of hydrocarbon spilled compared to the previous year due to causes beyond the company's control, mainly a diesel spill of 644 m<sup>3</sup> in Logistics activities in the Luján de Cuyo- Villa Mercedes pipeline in Argentina. We took following the spill to implement our contingency plan, conducted an initial study of the impact on the land, repaired the broken pipeline and remediated the soil affected by extraction, transfer and subsequent treatment.

Not including spills deriving from external events, in 2011 the amount spilled fell by 10%, although the number of spills increased by 5%.

Most of the spills took place in exploration and production activities in Argentina, largely due to problems of corrosion in the production pipelines. Therefore, in 2011 we continued to implement our Integrity Plan for Installations, including:

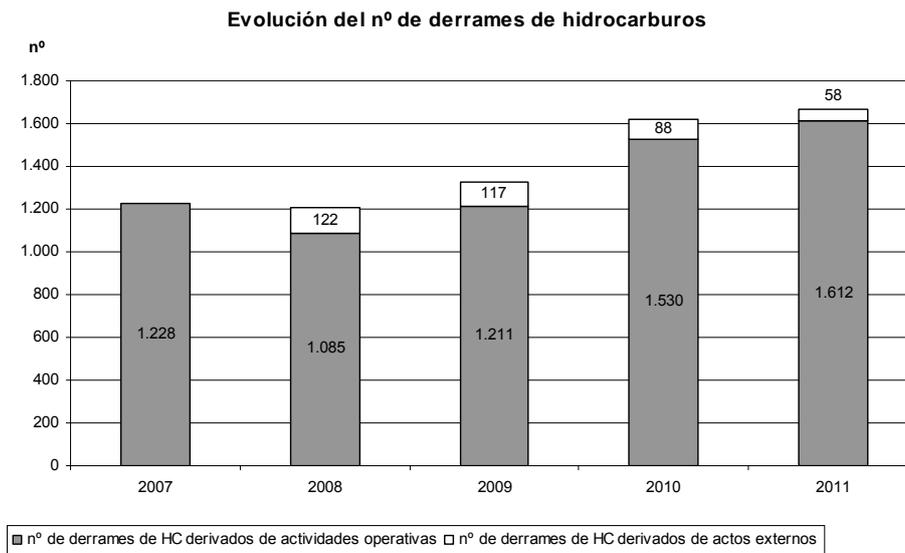
- Preparation of criticality matrices derived from past breakage records
- Generation of pipeline risk analyses for future projects to include additional improvements in installations at greater risk
- Preparation of pipeline inspection plans to assess their conditions
- Implementation of a corrosion management system to program and record all monitoring activity and anticorrosion treatment, and provide training to all personnel involved.

During 2011, we invested €10 million and replaced 74,000 meters of pipeline.

Meanwhile, in refining and logistics activities in Argentina, we also continued to build action plans to reduce spills. These covered three aspects:

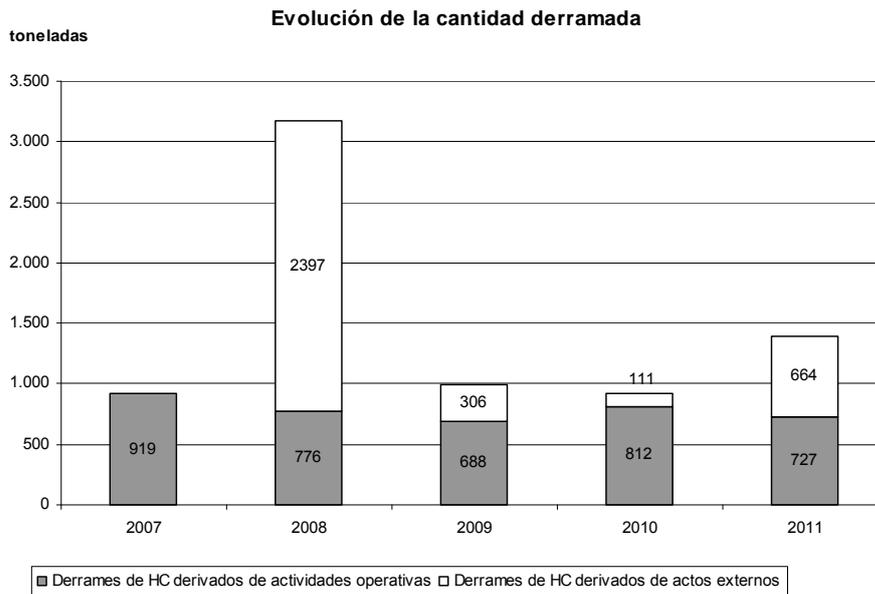
- Spills arising from road transport: Driver assessment, determining drivers' qualifications or requirement for specific training; progressive elimination of trailer trucks and improving airtightness of upper lids on tanks
- Spills in pipeline transport: Development of the damage prevention program that includes land and air patrols, as well as the internal review of pipelines
- Spills in refineries: Development of our underground pipeline identification and replacement plan; and development of the hydrocarbon storage tank inspection plan through technical and environmental audits.

### Trends in the number of hydrocarbon spills<sup>80</sup>



<sup>80</sup> Spills greater than one barrel which affect the environment. Since 2008, we itemize our figures on spills stemming from extreme events separately. In 2011, these numbered 58 hydrocarbon spills.

## Trends in the amount of hydrocarbon spilled<sup>81</sup>



### Protecting the marine environment

In late 2010, Repsol approved a new corporate/internal rule/regulation on Sea and River Spill Management. Its purpose is to manage incidents of spills of hydrocarbons, harmful and potentially hazardous products in the sea and rivers, in compliance with the company's Health, Safety and Environment policy. During 2011, we created a sea and river pollution management working group, formed by Repsol's different business units. We also held a specific workshop in Peru to raise awareness of this rule/regulation.

The company also participates in the main sector forums on spill prevention, risk analysis and response preparation, both in national platforms and international associations. We participate in different working groups to adopt lessons learned in the industry and adapt to the requirements of international bodies. These associations include: Protecma (Technological Platform for Coastal and Marine Environment Protection), ARCOPOL (Atlantic Regions Coastal Pollution Response), MOIG (Mediterranean Oil Industry Group), IPIECA (International Petroleum Industry Environmental Conservation Association) and ARPEL (Regional Association of Oil, Gas and Biofuels Sector Companies in Latin America and the Caribbean).

#### Actions in the maritime area of Tarragona (Spain)

In light of two spills on the coast of Tarragona in early 2011 Repsol, as an extension of the actions carried out to date, developed an integrated action plan in the maritime area of Tarragona. The plan aims to improve environmental protection, enhancing the quality and safety of company operations on the coast.

The plan involves a total investment of €131 million over the next four years, essentially assigned to ensuring the integrity and reliability of Repsol's Upstream (Casablanca platform) and Downstream installations (jetty and outer rack) on the coast of Tarragona.

The scope of the plan at the Casablanca platform amounts to an estimated investment of €50 million, focused mainly on extending the life of the platform and implementation of best available technologies.

Our main activities during 2011 included completing the inspections and tests required to

<sup>81</sup> Spills greater than one barrel which affect the environment. Since 2008, we itemize spills stemming from external events. In 2011, these amounted to a total spillage of 664 tons of hydrocarbons.

extend the life of the platform, resulting certification for a 10-year life extension, issued by Lloyds Register; conducting the SIL (Safety Integrated Level) study to reduce risks using safety instrumented systems, and introducing the recommended improvements; and developing and commissioning of an early spill detection system in the platform area with the assistance of Harbor Master's Office.

Meanwhile, we have estimated an investment of €81 million in the jetty and external rack installations, which will extend the reliability of the installations and make technological improvements that will deliver the highest safety standards on the market.

During 2011, we assigned capital expenditure of €28.15 million to begin implementation of priority actions to renew pipelines in the external rack, the full inspection of the pipeline surfaces on the jetty and improvements in the external rack arising from multi-year maintenance plans. We also undertook engineering for technological improvement actions such as installing remote shutoff systems on the jetty and spill detection systems, as well as installing bunding to contain any spilled substance in the event of spills. All these actions will continue in through 2014, when Repsol has committed to the full completion of the plan.

### **Deepwater operations**

In 2011 we drilled the first exploratory well in deep sea waters off Argentina, in the Falklands basin. The exploratory test drill was located approximately 330 km from the coast of Tierra del Fuego (Río Grande), 210 km from the Falkland Island coast and 130 kilometers from the Isla de los Estados, at depths of around 500 meters.

We drilled in a remote area, under adverse environmental and weather conditions, a major challenge for the company and the staff involved in the operation, totalling one thousand working in multidisciplinary teams.

We acted using best industry practices, the highest safety and environmental standards and with state-of-the-art equipment.

During the planning stage, we prepared an occupational health and safety and environment management plan to establish guidelines for the design and execution of the well and to set performance targets.

Our sustainability actions included:

- Identification of stakeholders that might be affected, influenced and/or have an interest in the project
- Identification of hazards, risk assessment and control at the start of activity, including environmental aspects and acting as we do for any new activity, operation or procedure or significant change before implementation
- Preparation of an environmental impact study to identify and evaluate the potential environmental impacts of the project, determine the best ways to reduce and mitigate them, as well as the development of the response plan for possible contingencies. The study included testing the performance of our models under different situations
- Development of an environmental management plan to enable the project to operate in harmony with the natural and human environment, and to comply with environmental, land use, safety and hygiene legislation. We took weekly records of fuel, water and chemical product consumption, as well as of waste and discharge management. We also conducted periodic monitoring of wastewater quality, discharge of muds and drill cuttings, sea water quality, gas emissions and marine wildlife
- Preparation of an emergency response plan for the project, including the contingency plan for possible hydrocarbon spills. This plan includes a scaled response by risk levels, and for immediate response to any environmental contingencies we contracted a dedicated vessel, sailing under the Argentine flag, which remained next to the drilling equipment throughout the operation

- Conducting meetings at the outset of the contract with the occupational health and safety and environmental representatives of contracted companies to ensure compliance with internal policies and procedures, on-board staff conditions and the project environmental management plan
- Preparation of the occupational health and safety and environmental training plan determined by the project needs; the plan was implemented from the planning phase.

## Protection of biodiversity

At Repsol we are aware of the importance of preserving the planet's biological wealth. For this reason Repsol's position on biodiversity recognizes its strategic nature and establishes the principles that govern our activities in this regard.

*We are continuing with the Biodiversity Action Plans (BAPs) initiated in previous years.*

### Operations in sensitive areas

At Repsol we are aware of the importance of preserving the planet's biological wealth. For this reason Repsol's position on biodiversity recognizes its strategic nature and establishes the principles that govern our activities in this regard. Furthermore, we have company regulations that establish general guidelines for action with regard to biodiversity for all operations. We require an assessment of the environmental sensitivity of our operations and evaluate each project to determine whether or not to proceed, depending on the sensitivity of the area, the severity of the possible impact, or the level of mitigation required.

We participate in the biodiversity working group of IPIECA (International Petroleum Industry Environmental Conservation Association) and OGP (International Association of Oil and Gas Producers). The purpose of this working group is to manage impacts on biodiversity in the oil and gas sector. We continue to participate in the Proteus project of the United Nations Environment Programme – World Conservation Monitoring Centre (UNEP-WCMC), intended to develop better tools for managing and reporting all protected areas on a global level.

### Biodiversity Action Plans

We operate in several fields located in sensitive areas considered to have a high ecological value, including areas designated as category I-IV by the International Union for the Conservation of Nature (IUCN). We are committed to progressively design and carry out Biodiversity Action Plans (BAP) in these areas. A list of operations in sensitive areas and their main impacts on biodiversity is available in the biodiversity section at [repsol.com](http://repsol.com).

In 2011, Repsol continued to develop Biodiversity Action Plans (BAPs) begun in previous years in exploration and production operations located in Block 57 (Kinteroni) in Peru, in Block 16 and Tivacuno in Ecuador, in offshore activities in Trinidad and Tobago and in the Auca Mahuida Vulcan and Llanccanelo areas in Argentina.

#### Our progress in Biodiversity action plans

- **Kinteroni in Peru (Block 57):** Following our 2010 agreement with the Smithsonian Institution (SI) to implement the Program of Evaluation, Monitoring and Conservation of Biodiversity (PEMCOB), in 2011 we launched two projects in Block 57. We surveyed primate populations around the gas pipeline before construction to determine their numbers and diversity, and subsequently studied potential areas in which to install and evaluate canopy bridges for primates. In the second project, we mapped the natural habitats in the southwestern area of the block and other adjacent areas. This produced data to establish priorities for conservation and promote the development of the block while taking account of the unique nature of the ecosystems
- **Yasuní in Ecuador (Blocks 16 and Tivacuno):** During 2011, we continued our

Biological Monitoring Program begun in 1994 with a new campaign to update the inventory of species and their state of conservation. We also initiated the Use of Natural Resources and Ecological Restoration project. This has involved conducting workshops in the Waorani communities settled within Block 16 to train them in the proper use of natural resources, and the construction of an experimental center designed in 2011, which includes various installations such as a tree nursery and breeding center for native mammals and fish, all designed to reduce pressure on the forest ecosystem and restoring its original state

- **Offshore activities in Trinidad and Tobago:** In 2011, we designed programs to map the marine ecosystem with environmental data. As part of this plan we signed a collaboration agreement with the University of the West Indies to study marine birds and mammals in the area. The data collected was stored in the company's geographical information system, which enables us to improve our activity impact management. We also conducted an educational environmental awareness program in local community schools based on the results obtained. Finally, we have begun designing a bioremediation survey to identify organisms that may be useful in eliminating spilled crude oil
- **Auca Mahuida Vulcan and Llançanelo in Argentina:** In 2011, we worked to identify biodiversity needs and the possible risk of impact on habitat and on species; and to prioritize and plan a number of measures to achieve adequate biodiversity management. We also established specific biodiversity indicators to monitor impact as well as conservation action, research, and education projects. We collaborated with the University of Comahue (Argentina) to conduct a biodiversity study, which enabled us to detect six species of reptile endemic to the Auca Mahuida Vulcan area, and the revegetation of six quarries.

#### Other biodiversity protection actions

In addition to conducting Biodiversity Action Plans (BAPs) we have also taken significant environmental management and biodiversity protection activities, especially as part of the construction of the distillate oil pipeline from Cartagena to Puertollano in Spain:

- We undertook initial studies before commencing work to prevent harm to protected species
- At waterway crossings, our main prevention measure was to cross with no flow, thus avoiding affecting the hydrological functioning and enabling us to work in more favorable conditions. In special situations, such as the case of the Seguro and Mundo rivers, the system chosen to avoid affecting the environment was directional drilling
- In the case of certain high-value plant species, we maintained a high level of protection, proposing variations and beaconing valuable specimens.

We also maintain our commitment to supporting projects and organizations that promote biodiversity research, conservation, education and awareness. Details of these collaborations are available in the biodiversity section at [repsol.com](http://repsol.com).

More information on our partnerships and collaboration projects for protecting the environment at [participacionesexternas.repsol.com](http://participacionesexternas.repsol.com) and at [biodiversidad.repsol.com](http://biodiversidad.repsol.com)

# Ethical conduct and the fight against corruption

## The Ethics and Conduct Regulation

The Regulation applies, whatever their geographical location, to all employees of Repsol or any of our group companies.

Our Ethics and Conduct Regulation establishes overall guidelines that govern the conduct of Repsol and all its employees in carrying out their duties and in their commercial and professional relations. We demand our people act in accordance with national law and show respect for the ethical principles of their respective cultures.

Our Ethics Commission exists in part to help employees understand and apply the Regulation in practice. Employees can consult the Ethics Commission in case of doubt about the interpretation or application of the Regulation.

The Ethics and Conduct Regulation is a reference guide for relations with the different groups with whom the company interacts: Shareholders, professionals, consumers, suppliers, competitors, authorities and the markets in general.

The ethical values and basic principles at the core of this regulation are integrity, transparency, responsibility and safety. These values are the benchmark against which employees should measure their basic conduct in meeting the obligations of their job while showing loyalty to the company, good faith, integrity and respect for the law.

The Regulation does not aim to cover all possible situations that may arise in the professional context, but to establish minimum conduct guidelines to which all employees should become accustomed in the way they act in their job. The conduct described in this Regulation is mandatory when working at Repsol YPF.

The Regulation applies, regardless of geographical location, to the CEO, executives and employees in general working at Repsol or any of its group companies.

The Regulation is available on the company website ([www.repsol.com](http://www.repsol.com)) and intranet in Spanish, English and Portuguese, as well as Catalan, Euskera and Galician.

### **Training and awareness raising**

In November 2010, the Corporate Responsibility Committee approved our 2012 Sustainability Plan, which includes the training programs and actions to be complied with between 2010 and 2012. This will include training on reinforcing ethical conduct and the fight against corruption. Within this framework we have prepared a communication plan to further the awareness and familiarity among all Repsol employees of the content of the Ethics and Conduct Regulation and the remit of the Ethics Committee.

In support of this communications plan, we have:

- Published an internal note to all employees regarding the key behaviors included in the Ethics and Conduct Regulation
- Disseminated information on the role of the Ethics Committee regarding enquiries and investigating alleged behaviors contrary to the Ethics and Conduct Regulation.

## **Reporting non-compliance**

Repsol people can communicate any compliance failure or violation of the conduct set out in the Ethics and Conduct Regulation. They may do this by informing the head of their department or by reporting it to the Ethics Committee. Repsol will not tolerate any kind of action being taken against employees who report allegations of non-compliance in good faith, and will punish any violations of our regulation that constitute labor offences under the law, without prejudice to other liabilities that these may also incur.

The Ethics Committee has a communication channel on the corporate intranet and company website (at [www.repsol.com](http://www.repsol.com)), which enables employees and third parties to submit queries about the Ethics and Conduct Regulation in the utmost confidentiality, as well as to report possible compliance failures or infringements of this regulation.

The identity of users of this communication channel is kept totally confidential while processing their communication and will not be divulged to third parties or, in the case of Repsol employees, to their managers or superiors.

There are also similar channels for anyone to communicate, in complete confidence, any incident related to accounting, internal accounting controls and audits affecting Repsol to the Repsol Audit and Control Committee and to the YPF Audit Committee.

From the creation of the Ethics Committee up to December 31, 2011, we have received 90 reports directly or indirectly related to the Ethics and Conduct Regulation. The main issues raised relate to labor situations (39%), commercial complaints (30%), contractual relationships with suppliers and contractors (16%), queries and information requests (12%) and others (3%).

Additionally, in 2011 we received 206 reports through mailboxes managed by the Corporate Security area, of which 69% relate to robbery, 4% to cases of fraud and the remaining 27% to other unethical conduct.

## **The Ethics Committee**

This Committee is responsible for managing the system to monitor and ensure compliance with the Ethics and Conduct Regulation.

At each of its meetings, the Ethics Committee follows-up the reports received through the different communication channels. The members of this Committee are Repsol executives with decision-making authority who contribute in their respective areas of activity to investigating the reports submitted to the Committee, as well as implementing resolutions.

From time to time, the Committee is informed of other cases related to the Ethics and Conduct Regulation, with details of their treatment, any sanctions applied and performance by country.

The Committee met on three occasions in 2011 and discussed the following issues, among others:

- Our response to reports received and files processed on the issue of ethics
- Follow-up on actions planned for 2011 in relation to the ethics and anti-corruption aspects of the 2012 Sustainability Plan.

## **Other monitoring and control systems**

The Repsol Audit and Control Division oversees compliance with the Ethics and Conduct Regulation in all of the company's projects. In light of project scope, this division reviews aspects such as the proper use and protection of company assets, potential conflicts of interest, information transparency and confidentiality, relationships with customers, suppliers, contractors

and partners, personal data protection, compliance with the law and financial records. In 2011 we carried out 67 audit projects.

Likewise, the Audit and Control Division is involved in investigating reports received by the Ethics Committee and the Audit and Control Committee through the non-compliance communication channels.

The Internal Control System for Financial Reporting includes controls aimed at covering environment risk controls, which identify risks related to mechanisms formally established in the Repsol Group to promote compliance with the Ethics and Conduct Regulation, regarding both conflicts of interest and disclosing privileged information, as well as possible violations of the conducts included in the Regulation.

Furthermore, the Crime Prevention Model discussed in more detail below helps reinforce mechanisms to identify, evaluate and mitigate risks of non-compliance with the principles established in the Ethics and Conduct Regulation.

Lastly, the Audit and Control Division monitors a Legislative Compliance Program, which includes obligations related to legal issues such as personal data protection, compliance with safety and environmental regulations, reporting information to public bodies and regulatory entities, among others.

### **Sanctions for failure to comply with the Ethics and Conduct Regulation**

In 2011, we imposed 1,388 sanctions for failure to comply with the Ethics and Conduct Regulation:

- 1,128 warnings
- 179 employment and pay suspensions
- 81 dismissals

More information on the Ethics and Conduct Regulation, the make-up of the Ethics Committee and the description of the non-compliance communications channels can be found at [etica.repsol.com](http://etica.repsol.com).

## **The fight against corruption**

We have mechanisms to prevent, detect and investigate any possible fraud.

The ISO 26000 international guidelines on Social Responsibility, published in 2010 define corruption as the abuse of entrusted power for private gain. Corruption can take many forms, including soliciting, offering or accepting bribes in cash or in kind involving public officials or persons from the private sector, conflict of interest, fraud, money laundering, embezzlement, concealment and obstruction of justice and trading in influence.

### **Measures to prevent corruption in Repsol**

The company has mechanisms to prevent, detect and investigate cases of corruption. The Audit and Control Division assesses the efficiency of company control systems and monitors control and compliance models through its teams for audit projects, internal control of financial reporting, control of partnerships, systems audits, legislative compliance, crime prevention model and online audit.

- The crime prevention model in Spain includes the analysis and evaluation of penal risks related to corruption, as well as the corresponding mitigation controls. We have developed procedures to continuously monitor and assess the crime prevention model as well as protocols to investigate possible irregular actions related to corruption, among other issues.

- The Internal Control System on Financial Reporting (ICSFR) has a model for preventing fraud risks in financial reporting based on the framework established by the American Institute of Certified Public Accountants (AICPA) and by the Public Company Accounting Oversight Board (PCAOB). This model identifies a significant number of controls aimed at covering the fraud risks in financial reporting.
- Similarly, we have a model for the separation of functions in order to prevent and reduce the risk of fraud in the financial reporting process and have implemented this in the information systems under the ICSFR incompatibility matrices defined for each relevant process, allowing us to continuously and routinely monitor existing conflicts and detect cases in which the functions are not executed appropriately.
- The Audit and Control Division assesses fraud risk in our internal audits through use of the methodology developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), an international body that provides leadership on risk management, internal controls and fraud prevention. Our audits review the possibility of fraud within each unit, by means of partnership audits, information system audits and audit projects. .

In cases where a potential incident of corruption is detected, the Audit and Control Division launches an investigation, which is reported at the appropriate levels so that the relevant disciplinary steps can be taken and necessary remediation actions taken to solve existing internal control problems. Subsequently, the action plan is monitored to ensure that the agreed measures have been properly implemented.

- The Online Audit Unit has designed indicators that alert us to the possibility of fraud or anomalous situations. Of these indicators, 35% are focused, at least to a certain degree, on fraud. In 2011, these indicators have been implemented in 27 Repsol companies, representing 12%.
- We also conduct detailed audits on non-operated assets that include reviewing the accounting records of the associations in which the Group participates on a sampling basis. Part of this review involves analyzing the possibility of corruption, including violations of the US Foreign Corrupt Practices Act (FCPA) and unsupported payments. Furthermore, before entering new businesses, we ensure that any unsupported expenditure or undue payment is rejected and reported at the correct level.

## Companies in tax havens

Repsol does not operate in territories included in the list of uncooperative tax havens prepared by the OECD.

In our business dealings, Repsol does not use special purpose vehicles or any other kind of structures to hide, cover up, or reduce the transparency of its activities before the tax authorities or any other stakeholder.

In particular, by signing up to the Code of Best Tax Practices, Repsol has expressly committed itself not to use opaque structures for tax purposes. Opaque structures are anything designed to prevent the tax administration from identifying liable parties or owners of goods or rights, through the use of special purpose entities in tax havens or territories that do not cooperate with the tax authorities.

In support of this commitment, Repsol has been working actively over recent years to reduce its already limited presence in territories classified as tax havens or territories that do not cooperate with tax authorities. The Repsol Board of Directors, via the Audit and Control Committee, must be notified in the event of our creating or acquiring stakes in entities domiciled in countries or territories considered to be tax havens.

Therefore, Repsol is currently not present in any of the territories included in the OECD list of non-cooperative tax havens<sup>82</sup>.

Spanish legislation, however, provides a broader definition of tax havens. By this definition, we have 10 active companies constituted in such countries, specifically Bermuda and the Cayman Islands. Out of these companies, only three are controlled by Repsol. Their purposes are insurance activities (Bermuda), industrial share holdings (Bermuda) and financial activities (Cayman Islands). In the Cayman Islands case, the particular company through which we undertake financial activities is Repsol International Capital. This entity has<sup>83</sup> two preference share issues admitted to trading in Spain and is subject to the supervision of the Spanish securities market regulating authority, the Spanish National Securities Commission, to which it sends periodic reports of its activities and financial statements.

Additionally, one Repsol company is established in Liberia, not considered a tax haven, but with similar characteristics. This company carries out hydrocarbon exploration activities.

## Financial transparency

During the year we supported the EITI incorporation process in Peru, actively participating in all the meetings called by the National Work Committee of the EITI initiative.

*In 2011, we paid 16,387 million euros in taxes to the governments of the countries where we operate.*

### **Repsol and the EITI initiative**

Repsol supports transparency and stands opposed to any kind of corruption. The company has been a member of the Extractive Industries Transparency Initiative (EITI) from its inception in 2003. The EITI is the global initiative that we consider best placed to achieve the goal of increasing revenue transparency within the context of respect for contracts and the law. Repsol YPF supports EITI since it was launched and participates in its initiatives to spread good practice.

EITI brings together governments, international bodies, state and private companies, investors and social stakeholders in a multilateral and voluntary platform. This is a process that begins when a government formally commits to the EITI principles and criteria and leads a working group with the participation of the industry and stakeholders. The group has a period of two years to agree the legislative and contractual changes necessary to issue a report of taxes paid and collected, which must be validated by an independent third party.

In 2011, Repsol supported the process of joining EITI in Peru. On December 14, 2010, the Board of the Extractive Industries Transparency Initiative (EITI) granted Peru six months, to June 12, 2011, to complete the corrective actions necessary to achieve EITI compliant country status.

On June 11, 2011, Peru submitted to the International Secretariat of the EITI the documents required by the Executive Board to complete the validation process. On February 15, 2012 the EITI Board granted Peru compliant country status, making it the first Latin American country where Repsol operates to achieve this status.

During 2011 we played an active role in supporting this validation process. We participated in the four working meetings called by the EITI Initiative National Working Committee in Peru, which dealt with:

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<sup>82</sup> Progress report of September 14, 2011.

<sup>83</sup> On the AIAF fixed income market.

- Management of the approval of the Supreme Decree that extends the functions of the EITI Initiative National Working Committee in Peru
- Approval of the terms of reference of the second National Conciliation Study for the years 2008-2010
- Preparation and financing of the second National Conciliation Study.

During 2011, the second National Conciliation Study was drafted for the years 2008-2010, with the participation of 51 companies and it was published in January 2012.

### Taxes paid to governments

We are concerned for the welfare of the people in certain countries rich in natural resources who may not be fully enjoying the benefits of the wealth we generate. Increased transparency could help alleviate this situation.

Following requests from some society organizations, in 2011 we agreed to publish, for the first time, our taxes paid in 2010, broken down by country.

In 2011, the taxes paid by Repsol<sup>84</sup> came to €16,387 million, of which approximately 23% (€3,815 million) were taxes paid (Corporate Income Tax and others related to hydrocarbon production) and 77% (€12,572 million) were taxes withheld or passed on to third parties (such as withholdings on salaries, VAT or taxes on fuel consumption).

<b>Taxes paid by country</b> (€ million)		
	<b>2010</b>	<b>2011</b>
Spain	7,930	8,310
Argentina	4,477	4,825
Brazil	518	78
Italy	301	299
Libya	584	120
Peru	594	711
Portugal	1,043	1132
Trinidad and Tobago	455	522
Venezuela	103	196
Other countries <sup>85</sup>	163	194
<b>Total</b>	<b>16,168</b>	<b>16,387</b>

The 2010 and 2011 Brazil figures are not comparable as in December 2010 Repsol YPF sold its 30% stake in Alberto Pasqualini Refap. S.A. (Refap).

### Adherence to the Code of Best Tax Practices

As part of our commitment to transparency, in November 2010 Repsol signed the Code of Best Tax Practices, produced by the Large Business Forum and the Spanish Tax Agency. The aim of this initiative, promoted by the Spanish Government, is to encourage transparency, good faith and cooperation with the Spanish Tax Agency (AEAT) in business tax practices and legal security in the application and interpretation of tax regulations.

### Subsidies received

<sup>84</sup> Excluding Gas Natural Fenosa.

<sup>85</sup> Includes taxes of less than €100 million paid in other countries where the Repsol Group operates.

Subsidies recorded in our balance sheet, which stood at €118 million and €110 million in 2011 and 2010 respectively, related primarily to the construction of gas or electricity infrastructure (€64 million in 2011 and €80 million in 2010). Meanwhile, operating subsidies stood at €72 million and €227 million in 2011 and 2010, respectively.

#### **Lawsuits arising from anti-competitive practices**

No company in the Repsol YPF Group faced sanction procedures initiated in 2011 due to allegations of anti-competitive practices (excluding YPF).

## **Lobbying activities**

We are part of the European Union Transparency Register and the United States Lobbying Register.

We consider our participation in debates on public policies provides information and knowledge necessary to the development of legitimate and effective legislation and we support this being done in a transparent manner.

In February 2011 Repsol was included in the European Union transparency register and in the United States registry of lobbying activity.

The information provided by the company to both registers is public and may be consulted on the websites of these bodies. Some of the most important highlights for 2011 are as follows:

#### **European Union Transparency Register**

Each year we provide information on the associations and networks we belong to, an estimation of costs related to direct interest-representation activities at European Institutions, and our interest-representation activities. In 2011, the information we reported relates to:

1. Associations and networks: We are members of the following sector organizations: Europa, European Chemical Industry Council (CEFIC), PlasticEurope, Oil and Gas Producers Association (OGP), European Liquefied Petroleum Gas Association (AEGLP), International Emissions Trading Association (IETA), European Committee for Standardization (CEN) and European Diisocyanate & Polyol Producers Association (ISOPA). We are also members of the following business associations: European Round Table of Industrialists (ERT), Center for European Policies Studies (CEPS) and American European Community Association (AECA).
2. Financial data: Our best estimate of expenditure related to direct lobbying activities, meetings, direct correspondence and involvement by our employees in preparing documents and in the working groups of various associations and think tanks ranges from €200,000 to €225,000. We take into consideration both the cost of the time invested and of any travel costs. We do not include membership fees, given that these are declared separately by the various associations.
3. Interest-representation activities: The main representation activities we carried out in Europe have been focused on European policies in the fields of energy, industry, environment, climate change, and foreign trade.

#### **United States Lobby Registry**

For this registry we complete two forms. The first requires us to declare our company's lobbying activity in the United States on a quarterly basis. In 2010, we reported expenditure related to direct lobbying activities by our employees of an estimated €110,000 pertaining to activities in the Fuel/Oil/Gas category.

We must also make a declaration of direct or indirect payments to public employees of the American government, on a twice-yearly basis. Both Repsol and our employees who undertake lobbying activities for the company have declared no contributions made in 2011 to public employees of the American government.

# Respecting human rights

Respect for human rights is one of the cornerstones for the development of Repsol's activity throughout the world.

## Implementing the Guiding Principles

At Repsol we recognize that we have a responsibility to respect human rights as a normal part of our conduct in all of the countries where we are present and covering all of our operations. We are therefore committed to respecting and promoting the human rights contained in the International Bill of Human Rights, as well as those included in the International Labour Organization Declaration on Fundamental Principles and Rights at Work.

In 2011 we continued to work to implement the United Nations "Protect, Respect and Remedy" framework, by applying the "Guiding Principles on Business and Human Rights", proposed by UN Special Representative John Ruggie.

### Public commitment

We safeguard respect for human rights and their promotion throughout our sphere of influence. At Repsol we therefore assume our responsibility for respecting these rights, publicly expressing this commitment through our corporate policies [and regulations](#), which [are](#) applicable worldwide, covering our:

- Ethics and Conduct [Regulation](#)~~Policy~~
- Policy on Respect for People and their Diversity
- Labor Relations Policy
- Purchasing and Contracts Policy
- Community Relations Policy
- Policy on Relations with Indigenous Communities
- Corporate Security Policy.

We have incorporated this responsibility into our management systems, in which we lay down what we expect of our employees, partners, suppliers, contractors and other stakeholders linked with our operations.

In 2011 we carried out an analysis of our existing corporate policy, in view of the UN Framework for Business and Human Rights and its Guiding Principles, to determine to what extent the issues were already covered by our policy. This review will allow us to establish what other commitments must be developed in the draft Human Rights Policy that will be drawn up in 2012 with the participation of a multidisciplinary, cross-functional company team.

### Due Diligence

The risk of human rights violations, whatever their nature, is included in our corporate risk map. Additionally, through our implementation of the crime prevention model in 2011, we have analyzed the risks related to respect for workers' rights; in so doing, we have contributed to strengthening our existing mechanisms for safeguarding adherence to the principles laid down in our Ethics and Conduct [Regulation](#)~~Policy~~.

In implementing the Guiding Principles, and in line with our 2011 target, Repsol approved the Corporate Norm on Environmental, Social and Health Impact Assessment for use worldwide. The nature of our activities and the conditions in certain environments and countries in which we operate have an impact on people and their economy. For this reason, our [norm](#)~~policy~~ combines human rights and health aspects with environmental aspects, by establishing the requirement for a human rights impact assessment. In this way, the same aspects are taken

into account from the design phase of investment projects, which allows risks to human rights to be identified at the appropriate time, enabling us to prevent or mitigate them.

The [normpolicy](#), which has received input from the whole organization as well as highly-regarded stakeholders, responds to the expectations included in the Guiding Principles that put into practice the “Protect, Respect and Remedy” framework, as well as the recommendations of the ISO 26000 international guidelines on social responsibility and the International Finance Corporation’s Sustainability Framework.

### **Training and awareness-raising among employees**

Establishing a corporate policy and instituting due diligence does not guarantee that negative consequences for human rights can be avoided entirely. Therefore, a significant part of Repsol's efforts is directed toward ensuring that employees know and understand the commitments made by the company. Training and raising awareness with regard to human rights are priorities.

To ensure respect for human rights, we continue to hold face-to-face sessions for individuals assigned to particularly relevant company functions and those in charge in some of the company's operating environments. Some examples of such training given in 2011 include:

- An ethics and human rights module in the annual training forums for purchasing and contracts personnel
- An ethics and human rights module in the welcome forums for new employees
- A session on human rights at the workshop to review the ESHIA Corporate [NormPolicy](#) in Peru.

### **Complaint mechanisms**

We have set up channels for reporting possible abuses, through which our employees, contractors or any other stakeholder can report events that might be considered violations of human rights or failures to comply with the law or with our current regulations.

These reporting channels are as follows:

- Ethics Committee communication channel
- Audit and Control Commission communication channel
- Mailboxes where anonymous complaints of any kind may be left, which are subsequently passed on, as appropriate, to Corporate Security.

There are dedicated channels for reporting complaints in the countries where we operate. For example, in Argentina, there is a channel on the YPF Net intranet for reporting possible infringements or violations of human rights, equal opportunities or discrimination issues. In countries such as Ecuador and Peru there is the "Xprésate" channel for complaints of any kind.

The research and analysis area of Corporate Security takes the necessary action to resolve these complaints, providing any necessary support for investigations initiated in the countries and/or operating centers where the reports are received. Once the investigation has been completed, we take the necessary measures to remedy the situation.

The corrective measures taken vary according to the seriousness of the findings. Equally, in certain situations and depending on the seriousness of the complaint, these findings are made known to the relevant legal authorities.

*All the policies described above, as well as further information about our human rights management systems, can be found at [derechoshumanos.repsol.com](http://derechoshumanos.repsol.com)*

## Priority issues

At Repsol we respect human rights and use all the means at our disposal to ensure they are respected by our partners, contractors, suppliers and distributors.

*In 2011, we conducted the first ethics and human rights audit on suppliers and subcontractors.*

At Repsol we have formalized numerous commitments related to respect for human rights, after determining, in collaboration with our stakeholders, the human rights issues that demand the focus of our efforts.

As is expressly stated in our policy, Repsol does not under any circumstances discriminate against the people working for the company, or against its contractors, suppliers and clients, in any country in which it is present, or at any time during the course of its relationship with them.

Likewise, Repsol employs no underage workers, and uses no forced labor. In 2011 no Repsol activities carried were identified entailing any risk of incidents of forced labor or child exploitation.

Moreover, the company places all means at its disposal to ensure that these rights are also respected by its partners, contractors, suppliers and distributors.

### **1. Respecting the human rights of our employees**

Repsol investigates any incident related to discrimination that may affect our employees. In 2011, a complaint was received from the Spanish labour union Unión Sindical Obrera (USO) regarding possible discrimination in pension arrangements for workers joining the group after a certain date in some of the group's companies. At December 31<sup>st</sup>, 2011 there has been no judgment on this matter. Regarding the dispute over the treatment of length of service, the differences regarding this issue have been paid, both in the defendant companies (Repsol Petróleo, Repsol Química y Repsol Butano), Repsol S.A. and RCPP, thus fulfilling the agreed minutes of application with the main trade unions CCOO and UGT. Also, during 2011 there were investigated and dealt nine incidents of harassment in Spain and one in Peru.

With the 6th Framework Agreement, the agreement signed with the largest unions that regulates specific aspects of labor relations, a review was conducted with these unions involved in the content of all the collective bargaining agreements in Spain, with the aim of identifying and correcting regulations that could possibly constitute discrimination against some workers compared to others.

We respect and support the right of our workers to free association and collective bargaining in all of the countries in which we operate. In 2011 there was no record of any violations of the right to freedom of association and collective bargaining. We safeguard respect for this right in those countries in which it might be threatened:

- During the course of 2011, the *Règlement Intérieur* action protocol, signed with union representatives in Algeria in 2010, was implemented and instituted as normal practice
- In 2011, Santa Cruz de la Sierra (Bolivia) was the venue for the third plenary meeting of Repsol's Union Network Coordinator for Latin American and Spain.

More information about Repsol's relations with its workers' representatives may be found in the chapter "People at Repsol".

## **2. Respecting the human rights of indigenous communities**

Repsol formally recognizes the rights of indigenous communities, who are key stakeholders for our company. We respect the rights of indigenous populations, paying special attention to the mechanisms we have established to avoid violations of their human rights.

In 2011 we continued our work to introduce the policy that we developed in 2009 in the various countries in which we have operations involving indigenous communities. More information about Repsol and indigenous communities can be found in the chapter "Local communities".

## **3. Respect for human rights by our suppliers and contractors**

Our supplier management system aims to prevent the risks of human rights violations that can arise through our supply chain. By means of our supplier selection, rating and control processes, we work to verify that our suppliers and contractors conduct themselves in line with our commitments.

In 2011, we carried out a pilot ethical and human rights audit, including both suppliers and subcontractors. This demonstrates how we can use our capacity for influence, extending our requirements in terms of conduct to the whole of the value chain.

More information on the management of human rights aspects in the supply chain can be found in the chapter "Partners, suppliers and contractors".

## **4. Corporate security and human rights**

At Repsol we have made a commitment to protecting our people and our facilities, promoting a culture of respect for human rights and security. To achieve this we are supported by specialist security companies.

### **Corporate security management**

We reviewed the corporate security work procedure, such as evacuation plans for expatriates and complex security protocols. .

Our corporate security management rests on policies, standards, procedures and guides that allow us to take the necessary steps to help ensure the safety and security of Repsol's people and assets.

In 2011 we continued to review and update our working procedures. In Algeria, Bolivia, Trinidad and Tobago and Venezuela, we reviewed our evacuation plans for expatriates. In the case of Libya, the situation required full implementation of the evacuation plan.

In Argentina, Bolivia, Ecuador, Peru and Venezuela, security procedures that form part of Repsol's comprehensive security plan for each country, the *Plan Integral de Seguridad (PSI)*, were drawn up or updated, taking into account matters such as controlling access to facilities, both for people and for materials, personal identification systems, measures to prevent and respond appropriately to acts of terrorism or sabotage, dealing with potential explosive devices and writing reports.

In Spain we have reviewed the security protocols at the facilities and regional offices in A Coruña, Bilbao, Barcelona, Valencia, Valladolid and Seville.

### **Voluntary Principles on Security and Human Rights (VPSHR)**

At Repsol we continue to work to implement the Voluntary Principles on Security and Human Rights.

## **Comprehensive management of security risks**

We have developed a methodology for identifying and assessing security risks that allows us to appropriately manage these risks in our activities. We evaluate the possibility of risks taking into account the impact on people, the company's assets and society.

During the course of 2011, we worked to incorporate the human rights-related risks into the general risk matrix, as transpired in Libya. We also performed risk assessments for our facilities and operations in Argentina, Bolivia, Brazil, Ecuador, Peru and Venezuela; special attention was paid to field activities in new areas or where communities were present nearby.

Based on the results of these assessments, we prepared Emergency, Crisis and Evacuation Plans. These plans set out the recommendations to follow when faced with critical situations: Creating crisis committees, protocols for dealing with bomb threats or the seizure of facilities, measures that employees can take to protect themselves if they are taken hostage or are victims of extortion, family emergency and evacuation plans.

Training and raising awareness with regard to human rights, and the consequent capacity to respond to unforeseen situations, play a fundamental part in appropriately managing security risks. For this reason, our employees, especially those responsible for corporate security, receive specific training, both on the company policy and on human rights matters.

We held our 6<sup>th</sup> Corporate Security Forum over the course of three days in 2011. At this event, corporate security heads and managers dealt with matters of security risk management and the company's corporate security policy. For a second time, this forum took place in Argentina, bringing together managers and coordinators from the different regions.

## **Relationships with our security suppliers**

During our supplier selection process, we require our security providers to meet criteria in line with our corporate security policy and the main international standards. We have defined minimum ethical conduct and human rights requirements in line with the Voluntary Principles on Security and Human Rights, the United Nations' Basic Principles on the Use of Force and Firearms and the Universal Declaration of Human Rights.

When selecting security suppliers, one decisive factor for us is that suppliers have no history of connection to illicit activities, such as asset laundering or tax evasion, or unethical conduct, including accusations of human rights violations.

In Ecuador, a delegation comprising the Corporate Security, People and Organization, Environment, Safety, Purchasing and Contracts and Legal Services departments visits security firms to check that they comply with all of our requirements.

For all contracts, we perform checks to ensure that they comply with local legislation. Beyond legal compliance with regard to ethical and socially responsible conduct, Repsol includes clauses that make express reference to the VPSHR, obliging the supplier companies to formally abide by these standards.

In 2011, we entered into two new contracts in Bolivia and two more in Trinidad and Tobago, which already include clauses requiring the minimum content defined by the Corporate Security department for contracting private security firms, deriving from the VPSHR and respect for human rights.

We believe that training is fundamental to ensure that our contractors act in an exemplary manner, in accordance with international standards and current legislation, to avoid abuses and arbitrary or discriminatory conduct that might entail a violation of human rights. We insist on training in human rights for all corporate security personnel, including our private security providers, as an essential prerequisite for contracting them and we request documentary evidence that allows us to verify it.

In 2011, we developed a comprehensive human rights training program for delivery to private security personnel. This program includes the minimum content that contractors are required to know, whether they operate in Spain or any other countries where we have operations.

The program begins with a description of the commitments made by Repsol in its corporate policy and an introduction to human rights. Next, it reviews the content of the Universal Declaration of Human Rights in detail and other current international declarations. The program concludes by studying the Code of Professional Ethics for private security personnel.

Private security personnel in Ecuador receive training on human rights in a program lasting 36 hours. This program is included in the human rights training manual devised for permanent members of staff, private security and military personnel. In Peru, training on human rights, use of force and firearms is given by the contractor itself, under our supervision. In Venezuela, 22 security and risk management talks were provided for 120 people, including employees and contractors. The private security personnel in Bolivia also received training sessions on Repsol's policies with regard to corporate security.

In Argentina and Bolivia we have organized regular talks at which private security personnel learn about the security policies and procedures laid down by Repsol.

The controls applied to private security suppliers give us confidence that their conduct complies with the standards defined by Repsol. The results of these controls allow the information provided by the supplier to be checked in situ.

In each country in which we operate, the services of private security companies are controlled through the permanent supervision of the different coordinators and individuals in charge of corporate security. These controls are based mainly on the verification of services, procedures, conflict resolution and compliance with our policies.

In 2011, we carried out an external physical security audit of the whole security program in Ecuador, including the private security firm, to analyze operational performance and adherence to procedures, job description manuals, training and equipment. This audit assessed conformity with the SPC.1-2009 Organizational Resilience Standard: Security, Preparedness, and Continuity Management Systems, which includes the ISO 9001 Quality Management Systems, ISO 14001 Environmental Management Systems and ISO 27001 Information Security Management Systems standards. A corresponding assessment of the supplier's performance was carried out and sent to the purchasing and contracts area within the quality improvement program.

In Argentina, Peru, Trinidad and Tobago and Venezuela, different audits and inspections have also been carried out to assess adherence to our procedures. These controls are complemented by review meetings in which the appraised suppliers take part. In 2011, these controls detected breaches resulting in 14 warnings given to suppliers in Argentina, and a contract with one supplier in Trinidad and Tobago being due to inability to improve their performance, despite joint efforts with the company to help it maintain the agreed standards.

In some countries, the protection of critical facilities, including energy facilities, must be carried out in collaboration with the public security forces, as required by government. Through collaboration agreements, Repsol formalizes this relationship in such a way that it keeps the company independent with regard to armed conflicts that might arise in these territories.

### **Security expenditure**

The rise in security spending compared to 2010 was due to a 33% pay increase for security personnel in Argentina, even as we reduced the number of security personnel we used. This figure also reflects the incorporation of new facilities. In Algeria, there was a significant increase in spending as a result of new field operations. And in Spain, we are including spending related to security at service stations for the first time; it had been omitted in earlier years for accounting reasons.

US\$ Millions	2009	2010	2011
Private security	34.4	64.9	80.6
Public security	8.7	2.4	6.3
<b>Total</b>	<b>43.1</b>	<b>67.3</b>	<b>86.9</b>

### Operations in socially sensitive settings

In protecting our facilities, our Corporate Security Policy generally rejects the use of firearms by private security contractors, except in areas of serious risk or where this is a requirement under national legislation. On a selective basis in eight countries, private security personnel are armed due to the particular security conditions or the requirements of current local legislation.

The strategic importance of energy infrastructure makes it vulnerable to the risk of terrorism or other risks arising from armed conflicts. In operations of this type, the company takes measures appropriate to the local situation, which means placing a greater emphasis on people's security when they are traveling and on the security of our facilities.

#### Evacuation in Libya

Faced with the complex situation in Libya that arose at the beginning of 2011, Repsol took every possible action to safeguard the security of those who were in the country on our behalf and to evacuate families and employees as soon as possible. This included personnel in the El Sharara field, situated 800km from Tripoli. The company set up a special unit to attend to employees posted in Libya and their families, to ensure their safe return to their countries of origin.

At every moment, Repsol's priority was to guarantee the security of all of the company's employees and their families, as the situation in the country made it necessary for all foreign personnel to leave.

The operation began on Sunday, February 20 and ended in the early hours of Saturday, February 26, when the last group of Repsol employees in Libyan territory arrived at Barajas airport in Madrid. In addition to our company's employees, 83 expatriates of 28 different nationalities traveled in the final plane chartered by Repsol. For humanitarian reasons, the evacuation was extended to include people from other companies and institutions that requested our help in evacuation, as we had the resources to bring the affected people to Madrid.

On their arrival in Madrid, a team of more than thirty people was ready support the employees and their families, attending to any needs that might arise. This support team represented only a fraction of the dozens of individuals from different areas of the company whose absolute priority at that time was the evacuation of all Repsol employees stationed in Libya and their relatives.

*More information on the management of security risks and Repsol's corporate security management policies, regulations and system, the criteria used for selecting security companies, contractual requirements for security suppliers with regard to human rights, the content of the human rights training required of security suppliers, and our relationship with public and private security forces can be found at [derechoshumanos.repsol.com](http://derechoshumanos.repsol.com)*

*More information about our involvement in corporate security working groups can be found at [participacionsexternas.repsol.com](http://participacionsexternas.repsol.com)*

# Our relationships

## People at Repsol

### Employment at Repsol

The number of people that work for Repsol and the percentage of female directors rose compared to the previous year.

At the close of 2011, we had a consolidated workforce of 46,575 people of more than 70 nationalities. Of this number, a total of 39,622 employees belonged to companies directly managed by Repsol and all of the information in this chapter refers to them. The company's employees are distributed across more than 30 countries, with the highest concentrations in Spain (43%) and Argentina (37%). There is also a significant presence in countries such as Peru (9%), Portugal (3.1%) and Ecuador (2.3%). The Downstream area accounts for 48% of our workers; 39% in YPF; 7% in Upstream and LNG and the remaining 6% in corporate areas.

The main change in the workforce took place in Uruguay owing to a temporary project between YPF and the Uruguayan national oil company that will conclude before the end of 2012. This work force is temporary and largely male, which has a temporary impact on the distribution of employees by gender and contract type.

Repsol workforce by country <sup>86</sup>				
Country	2010	2011		
		F	M	Total
Spain	16,783	5,287	11,825	17,112
Argentina	13,435	3,239	11,257	14,496
Germany	6	0	5	5
Angola	1	0	1	1
Algeria	100	13	77	90
Bolivia	192	64	154	218
Brazil	146	63	115	178
Canada	47	11	50	61
Chile	2	5	38	43
Colombia	38	13	13	26
Cuba	7	1	10	11
Dubai	19	5	15	20
Ecuador	832	117	805	922
USA.	206	98	162	260
Russian Federation	21	8	16	24
France	51	4	10	14
Great Britain	4	2	11	13
Equatorial Guinea	0	0	1	1
Guyana	0	0	5	5
Indonesia	0	2	1	3

<sup>86</sup> The data in this chapter excludes employees with an annual working day equal to or less than 20% of that set in the collective agreement, as well as employees of Gas Natural Fenosa and other investee companies in which Repsol does not have management control. The workforce figure is in line with the group's accounting consolidation criterion and, therefore, the workforce of Repsol Sinopec Brasil and Dynasol Elástomeros are calculated by proportional integration at 60% and 50% respectively, entailing decimal adjustments to these data.

Iran	4	1	1	2
Italy	29	13	16	29
Kazakhstan	6	3	3	6
Libya	160	13	69	82
Morocco	0	1	0	1
Mauritania	1	0	0	0
Mexico	29	6	21	27
Norway	20	7	17	24
Netherlands	4	1	4	5
Peru	2,633	1,100	2,340	3,440
Portugal	1,195	440	776	1,216
Singapore	4	0	4	4
Switzerland	2	2	0	2
Trinidad and Tobago	197	60	155	215
Uruguay		15	832	847
Venezuela	150	77	142	219
<b>Overall total</b>	<b>36,323</b>	<b>10,671</b>	<b>28,951</b>	<b>39,622</b>

Executive personnel account for 1% of the work force; 6% are technical managers; 44% are technicians; 3%, are administrative staff; and 46% are operatives. Permanent employees make up 88% of the total and women account for 27% of the work force as a whole.

The increase in the work force in Peru is due mainly to an increase in exploration operations.

Individuals by gender and professional category								
	2010				2011			
	Women	Men	Total	% Women	Women	Men	Total	% Women
Executive staff	32	273	304	11	42	301	346	12
Technical managers	443	1,899	2,341	19	513	1,998	2,510	20
Technicians	4,350	12,527	16,877	26	4,796	12,528	17,323	28
Administrative staff	916	503	1,419	65	917	469	1,385	66
Operatives and junior staff	4,132	11,250	15,382	27	4,404	13,654	18,058	24
<b>TOTAL</b>	<b>9,873</b>	<b>26,450</b>	<b>36,323</b>	<b>27</b>	<b>10,671</b>	<b>28,951</b>	<b>39,622</b>	<b>27</b>

In almost every professional category the number of women increased. The only decrease was in the operatives category, due mainly to the effect of the temporary project in Uruguay noted earlier.

Regardless of the situation in the countries where we operates and in accordance with our commitment to the United Nations Global Compact, Repsol maintains strict respect for freedom of association and the right of collective bargaining.

As a result of this commitment, 100% of our employees have regulated labor conditions that guarantee these rights, either by collective agreement or by agreements between the company and its workers, in the case of workers not covered by collective agreements.

Individuals by type of contract and gender								
	2010				2011			
	Permanent	Temporary	Total	% agreement	Permanent	Temporary	Total	% agreement
Women	9,353	520	9,873	61	9,894	777	10,671	57
Men	23,827	2,624	26,450	62	24,840	4,112	28,951	59

	33,180	3,144	36,323	62	34,733	4,889	39,622	58
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The vast majority, 88%, of Repsol's employees have a permanent contract. This year the number of people on temporary contracts increased due to a temporary project in Uruguay, involving 847 workers. Excluding this project, the permanent employment rate would be 90%.

The percentage of people covered by collective agreements fell due to the exclusion of a significant number of employees in Portugal from such agreements. It should be noted that these employees are still protected by the collective agreement, but their labor conditions with regard to salary reviews are different and they therefore appear as personnel excluded from the agreement.

### New employees

In 2011, Repsol hired 3,113 people. We work to attract, recruit and retain people across genders, nationalities and different age ranges. Of those joining the company, 34% were women, 66% were men and 76.13% were from countries outside Spain.

We work systematically to promote the integration of women into a predominantly industrial sector.

New employees											
	21-30 years old		31-40 years old		41-50 years old		51-60 years old		Over 60		Total
	F	M	F	M	F	M	F	M	F	M	
Spain	98	138	146	184	43	65	7	53	2	7	<b>743</b>
Argentina	89	352	43	335	10	75	1	24	-	5	<b>934</b>
Peru	378	317	71	64	3	12	-	5	-	-	<b>850</b>
Rest of Latin America <sup>87</sup>	51	121	29	68	10	32	1	11	-	1	<b>324</b>
Rest of the world <sup>88</sup>	30	57	23	67	15	35	6	28	-	1	<b>262</b>
<b>Total:</b>	<b>646</b>	<b>985</b>	<b>312</b>	<b>718</b>	<b>81</b>	<b>219</b>	<b>15</b>	<b>121</b>	<b>2</b>	<b>14</b>	<b>3,113</b>

### Integrating new employees

During the course of 2011 we carried out an in-depth analysis to improve the process of integrating people who join Repsol into our company. Following the analysis we have updated the Welcome and Integration Program aimed at optimizing and standardizing the process of welcoming new employees from the external market, as well as those that move between different units of the organization. The aim of this update to the welcome program is to speed up their adaptation to their new working environment, and ensure their integration into the company and its values.

To design the plan we held a number of focus group meetings, spotlighting various professional profiles, both nationally and internationally, in which we explained the required aspects to be covered in the first few months of working for the company, as well as those that require ongoing care to continue doing good work. We also held various workshops with key companies in the sector to share best practices in this area.

<sup>87</sup> Bolivia, Brazil, Chile, Cuba, Ecuador, Mexico, Uruguay and Venezuela

<sup>88</sup> Rest of the countries in which Repsol operates.

The work carried out in 2011 to integrate new employees included:

- Creating a new online tool to allow employees easy access to information from any location, along with access to the chairman's welcome, the company's comprehensive manual, specific business manuals, policies and essential procedures
- Drawing up an internal procedure "Welcome and Integration", including all of the specific actions and functions arising from the plan. This formal procedure aims to convey a clear vision of the company to people who have recently joined.
- Improving the existing information tools for managing people, to ensure that individuals joining the company have all the necessary means and resources available to them right from the start. This improvement included various modifications to anticipate basic requests when joining, such as access to management tools, computers and telephone equipment, creating specific profiles and issuing personal protective equipment (PPE).
- Assigning two key people to be responsible for the full integration of each new employee into the company. These include the new employee's direct manager, who will generally ensure that the individual's integration is going well, and another manager who will act as a guide, accompanying them and showing them the day-to-day functioning of the business. Both perform specific functions to achieve this integration and will provide feedback in order to improve the process. To this end, they will periodically be given quality-control questionnaires to complete, as well as various lists of activities to guide them and ensure adherence to the basic points of the plan.

Once the opinions of the people taking part in the pilot scheme have been collected and analyzed, we will propose improvements and implement the definitive plan throughout the organization.

Of those joining Repsol in 2011, 362 people left the company in that same year, 46% of them women and 54% men. In global terms, more than 90% of the people hired in 2011 still work for Repsol, except in Peru, where 33% of new employees left the company. The high turnover (see turnover rate indicator) in Peru is localized in the service stations business, and is a result of the fact that people in this group are apt to look for work opportunities in other areas of growing demand in the country, such as supermarkets. However, the company is taking measures to retain talent in this country with financial incentives and internal moves.

Employees who joined the company in 2011 and left before the end of the year are shown in the following table:

<b>Number of employees who joined and left in 2011</b>											
Number of employees	21-30 years old		31-40 years old		41-50 years old		51-60 years old		Over 60		Total
	F	M	F	M	F	M	F	M	F	M	
Spain	-	2	6	8	5	2	3	5	-	-	31
Argentina	1	2	-	4	-	2	-	-	-	-	9
Peru	125	126	17	13	1	3	-	-	-	-	285
Rest of Latin America	5	10	-	3	1	2	-	-	-	-	21
Rest of the world	1	8	1	3	1	1	1	-	-	-	16
<b>Total:</b>	132	148	24	31	8	10	4	5	0	0	362

## Repsol employee relations

We carried out the climate survey once more. We kept open channels for communication and dialogue with workers' representatives in various countries and we finalized 16 agreements.

*The rate of participation in the climate survey carried out in 2011 was 82%.*

The company's strategy for communicating with employees takes a two-pronged approach: Informing employees about Repsol's mission and telling employees what they need to know about the company to carry out their functions and develop professionally.

The ultimate aim of this two-pronged approach is to internalize the concept that the individual who works for Repsol is fundamental. To put this concept into practice, Repsol's employees have the following tools available to them:

- News on Repsol's intranet
- The Among Us newsletter, aimed at all employees and published twice monthly in three languages
- *Conecta* magazine, for all employees and published quarterly in three languages
- Information on bulletin boards to reach employees who lack access to corporate devices, as for some workers in industrial complexes, service stations and elsewhere
- Instant messaging: A medium used on special occasions
- Twice monthly online newsletter specifically for directors.

There are two types of communication initiatives: Those planned and included in the various annual internal communication plans; and those that respond to current events, which are necessarily managed according to how a given situation develops. In terms of the first type, this year the subjects of the planned initiatives were sustainability, security, innovation and employer reputation. In the last perceptions study, 71% of employees felt that internal communication was adequate.

To encourage the exchange of communication between the company and its employees, we make use of surveys, suggestion boxes and competitions.

In addition, there is also a channel called "*Ayúdanos a mejorar. Danos tu opinión*" (Help us to improve. Give us your opinion), which enables employees to make suggestions and express their criticisms, problems and complaints to the company. We have received 67 requests in 2011 in this way.

The Employee Service Desk (SAE) provides information, answers questions and, on request, carries out administrative procedures of different kinds depending on the country ( such as processing social benefits, permits and licenses, issuing certificates, and so on).

Worldwide, we have dealt with 101,739 requests in 2011. The breakdown by gender and category is as follows:

<b>Number of requests for information by professional category</b>	<b>Women</b>	<b>Men</b>	<b>Total</b>
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Executive staff	162	1,034	<b>1,196</b>
Technical managers	10,934	26,551	<b>37,485</b>
Technicians	14,380	24,688	<b>39,068</b>
Administrative staff	5,665	1,540	<b>7,205</b>
Operatives and junior staff	4,525	12,260	<b>16,785</b>
	<b>35,666</b>	<b>66,073</b>	<b>101,739</b>

The largest number of requests is concentrated in Spain. The breakdown of requests by subject and gender is as follows:

<b>Number of requests for information by subject</b>	<b>Men</b>	<b>Women</b>	<b>Overall total</b>
Payroll	27%	31%	29%
Training	12%	11%	12%
Pension plan and other labor relations matters	13%	13%	13%
Development/performance	2%	2%	2%
Various procedures: Teleworking, travel, attendance control, changes in working hours, etc.	46%	44%	45%

### **Satisfaction survey**

Satisfaction surveys have been carried out at Repsol since 2003 and are a tool that allows employees to give their opinion in complete confidence on a range of different matters, from the running of the company to its organization. The aim of these surveys is to learn their opinions to give the businesses and corporate areas guidance on how to make improvements.

The survey is handled by an external, independent consultancy that receives and analyzes the responses and does not provide itemized results for samples smaller than ten people's responses. This ensures confidentiality, which is a vitally important part of the process.

The factors that influence the labor climate and the circumstances surrounding the company usually vary from year to year; therefore, while some questions remain the same, new topics are included in each edition.

In 2011 we produced a new edition of the perceptions survey comprising eighty questions. Employees from various countries took part in the preliminary drafting of the questionnaire, as well as senior management and several key figures from the People and Organization department.

The survey was carried out in April 2011 and included the whole of the permanent work force in the countries where we operate (except YPF), a total of 22,152 people. Of those surveyed, 82% - a total of 18,167 people - answered the questionnaire, which indicates a highly committed workforce. Eighty-five percent of women took part in the survey, compared to 77% of men.

The aspects receiving the most negative response in the climate survey were those related to recognition and management style. The latter is important not so much because of its score, but rather because of the impact that this factor has on employee satisfaction. The aspects

receiving the most positive response were diversity management, the attractiveness of Repsol as an employer and the company's mission.

Based on the survey results, we plan to make the following improvements:

- Improving recognition, both financial and non-financial
- Managing employees covered by collective agreements, to begin to relate their performance to a variable, rather than managing exclusively against the collective agreement
- Improving management style to meet employees' clear demands for a strengthening in this area
- Placing special emphasis on increased leadership in security and the environment
- Improving relations with employee representatives.

In 2011, we kept open the channels for communication and dialog with workers' representatives in the different countries in which we are present. We reached 16 agreements, one in Spain, twelve in Argentina, two in Canada and one in Trinidad and Tobago.

In Spain, the agreement signed with the largest unions, CC.OO. and UGT, known as the 6th framework agreement, regulates specific aspects of labor relations; it is general in effect and directly applicable to all of the companies in which Repsol is a majority shareholder or manages the workforce and operations, where the company's activity falls within the area represented by the unions that signed it. The content of this framework agreement is incorporated, adjusting it if necessary, into the collective agreements of the different companies in the group that fall within its area of applicability.

This agreement, applicable for the period 2011-2013:

- Incorporates a new concept of variable remuneration for people covered by a collective agreement, linked to the targets of the business units where they work
- Guarantees workers' purchasing power and includes the possibility of additional pay increases linked to the company's achievements
- Renews the commitment to employment stability. The guarantee of employment stability for the workers of Repsol YPF Group implies a commitment to using non-traumatic means to rearrange the workforce in the group as a whole
- Renews our commitment to hiring people with disabilities
- Contains advances with regard to security, health, training and work-life balance.

From September 26 to 28, 2011, the plenary meeting of the Repsol Union Network was held in Santa Cruz de la Sierra, Bolivia. Present at the meeting were Repsol and industry unions from the following countries: Spain, Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico and Peru, as well as the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM).

The meeting addressed the company's present industrial and commercial situation, along with its commitments to corporate responsibility and its specific activity in Bolivia. Repsol also presented its Corporate Responsibility Model to the unions in attendance; the model was established following the approval of the Working Policy on Corporate Responsibility in 2011.

### **Corporate responsibility working group Collaborating with the unions**

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

In 2011, the group held two meetings at which the following matters were addressed:

- The Corporate Responsibility Report 2010
- The annual meeting of the Repsol Union Network
- Repsol's Sustainability Plan
- Repsol's Working Policy on Corporate Responsibility
- Repsol's Policy on Environmental, Social and Health Impact Assessment.

See the section "About this report" for details on the involvement of unions in writing the Corporate Responsibility Report 2011.

Some of Repsol's agreements applicable in Spain require changes in organization charts that affect employees covered by collective agreements where we must give prior information to workers' legal representatives. In the case of Repsol Química, these representatives can make comments within fifteen calendar days after they are informed.

### **Complaints**

In 2011, 177 lawsuits were filed against the company by workers, with the following outcomes:

- 11 cases resolved in favor of the employee
- 66 cases resolved in favor of the company
- 17 cases resolved through conciliation
- 83 cases ongoing.

The total number of cases does not include the 72 lawsuits to do with the remuneration system based on length of service, which were resolved by an overall high-level agreement with the unions.

More information about Repsol's Labor Relations Policy, its relations with workers' representatives and the Repsol Union Network can be found at [personas.repsol.com](http://personas.repsol.com)

## Attraction and retention of talent

We continued our commitment to programs aimed at attracting, motivating and engaging our employees. We increased internal mobility. The turnover rate was reduced. We increased investment in training. We increased expenditure on social benefits.

*Repsol employees received an average of 39 hours' training during the year.*

In a complex labor environment, Repsol has continued its commitment to recruit, motivate and commit to the best professionals, offering them an attractive place to work and guaranteeing and promoting equal opportunities in their professional development.

The increased diversification of our company's activity, both geographically and in terms of business activity, requires us to identify specialized talent in very specific areas. This has created opportunities for working with research centers with which we had worked previously.

Notable actions include our work to recruit and develop young talent with the technical master's programs at the Repsol training center, *Centro Superior de Formación Repsol* (CSFR), which are currently being taken by 85 professionals from different countries. Similarly, our efforts to recruit individuals with a management profile with the New Professionals Plan, through which 35 people joined the company in 2011. The company's commitment to this group of young professionals is being enhanced in 2012, with the start of Repsol's new energy management master's program.

In 2011 we carried out a project to recruit and retain talent in industrial areas. We took part in employment fairs, forums and seminars in towns and cities close to our industrial complexes; we increased our presence at the universities in these towns and cities and we carried out various selection processes in these key areas. In keeping with our company's commitment to hiring people with disabilities, in 2011 we selected nine disabled people to train to be chemical plant operatives.

During the course of the year we signed 16 new educational cooperation agreements with new universities and academic institutions, with 365 new scholarship holders joining the company. For this group, we have streamlined the *Plan Impulsa* training program, which benefits interns studying for advanced degrees with online training in languages and general skills and the opportunity to attend conferences on different areas of the company engaged in their activity.

### **Improvements in selection processes**

In 2011 we worked on identifying, assessing and attracting professionals with potential. We worked to improve the selection processes, which will help us to identify and recruit talent.

We designed a new tool for selecting candidates worldwide that will achieve consistency in the selection and appraisal process across countries, as well as offering maximum transparency both internally and externally.

Also during 2011, we carried out an in-depth analysis of the methodologies available on the market for assessing selection tests. As a result of this work, we have introduced new means of identifying talent to the selection processes, such as the option of online tests, potentially reaching a greater number of candidates and achieving a better work-life balance, both of those being appraised and their appraisers.

### **Identifying internal talent**

One of the company's aims is to make use of internal talent to ensure that it achieves its strategic goals. We have mechanisms for measuring individuals' abilities, performance,

knowledge and management. These allow us to judge how best to develop employees and their skills, such as mobility, training or development on the job, to coordinate the individual's development and career plan, whether they have a management or technical profile.

Two of the most notable development mechanisms, which the company has been working on for some years, are the 'people review' and 'development center' programs.

We have consolidated these mechanisms as the tools the organization uses to appraise and develop the talent of its employees. 'People review' assesses people in detail: Their strengths, areas for improvement and professional profile. With this tool, development plans emerge that respond to the areas for improvement detected and build on identified strengths, with specific actions which include postings within the organization.

Using 'development center', we carry out individual and group tests to assess the level of development of certain aspects of an individual's behavior. This tool has evolved to feature a mixed online and in-person format. We have also increased management involvement, with the process culminating in the preparation of the Individual Development Plan agreed between managers and coworkers.

This year the 'people review' and 'development center' development mechanisms have been modified to fit with Repsol's new behaviors, bringing them into line with their three key elements (management, business and people)<sup>89</sup>.

In the different businesses in which the 'people review' has been carried out, we have offered training workshops in advance to adapt the assessment of those taking part to the new behaviors.

<b>Number of people assessed</b>	<b>2010</b>	<b>2011</b>
<i>People review</i>	<b>3,712</b>	<b>1,907<sup>90</sup></b>

During the course of 2011 we endeavored to implement these development tools in countries outside Spain. Specifically, we reviewed 27 people in Portugal using 'people review', 40 in Peru and 93 in Venezuela and Trinidad and Tobago. We also carried out four 'development centers' in Brazil and Peru, with a total of 29 people reviewed in these two countries and a total of 140 in the group as a whole.

### **Internal mobility**

Internal mobility provides people with the opportunity for professional development by taking on new roles and challenges. During the course of 2011 we made 7,081 postings within the company, compared to 5,892 the year before, of which 28% were women and 72% were men, which matches the distribution of the work force by gender.

In 2011, a total of 3,373 people were given a new professional category, compared to 2,844 the year before. Of these changes, 28% related to women.

### **Development and Mobility Round Table**

Our people management at Repsol aims to offer employees new development opportunities.

<sup>89</sup> The behaviors, defined in 2006 and reviewed in 2011, comprise the competencies, values and styles of action that describe how Repsol employees must act to ensure that the company achieves its strategic goals. They provide a framework for the comprehensive management of our people.

<sup>90</sup> The number of 'people review' sessions fell noticeably because of a 2010 YPF initiative to review all of the posts of a large group of employees.

To this end, we have given impetus to a new development focus, linking career development to personal and professional improvement and aiming to respond both to the company's needs and to people's interests.

One of the resulting initiatives is the Development and Mobility Round Table, set up in February 2011 and comprising a working group including representatives from the People and Organization areas of all of the company's businesses and corporate units. Its aim is to create development opportunities for Repsol's employees, aligning their professional profiles with the company's requirements, to be able to respond successfully to new challenges.

At the first meeting, 33 internal moves involving directors and managers were agreed, and at subsequent meetings a total 106 moves were agreed in the course of the year.

## **Training**

Repsol is committed to people and values, and promotes and facilitates employee training as a key factor in their personal and professional development. We aim to provide training focused on developing people's knowledge, skills, abilities and attitudes, to achieve the goals of the different businesses and units, aligned with the company's strategy and directed toward developing Repsol's culture and leadership style.

Training at Repsol is structured into three areas:

1. General institutional training, in matters related to leadership development, values, corporate responsibility, innovation and construction and all of the other factors we intend to shape the company's culture.
2. Training linked to the plans of the business units and corporate functions, which allows the short- and medium-term goals of these business plans to be aligned with the training and development needs of the groups of individuals responsible for carrying them out.
3. Campaigns to highlight individual needs, which may be addressed using the catalog of skills and knowledge programs that will allow them to advance in accordance with their individual development plans.
4. Master's programs designed to integrate new employees and advance the specialization of professionals with experience in the fields of advanced control and maintenance and instrumentation. In 2011, we improved the content and increased the number of courses offered. From January 2012 there is a new master's program in energy management aimed at new employees joining corporate areas.

To help each business area achieve its goals and respond to its challenges, in 2011 we considerably strengthened *e-learning* with the Repsol virtual learning environment, launched in 2010. This includes a mixture of online and in-house training in a modular format and spread over a suitable period of time, ranging between three months and two years. In 2011, new programs of this kind of training were introduced for specific groups in the areas of marketing, executives and people joining the company or moving from one area or business to another within the company.

The total invested in training by the company was €21,003,702, compared to €14,238,875 in 2010, an increase of 47%. Ninety-four percent of Repsol's employees received training in 2011.

The significant increase corresponds to the following specific training sessions:

- Management: In the Downstream area we gave a considerable amount of leadership and innovation training
- Automation: Courses were launched on a new platform that allowed us to reach a greater number of users in 2011

- Languages: We boosted language training in 2011.

The growth in online training, which has increased to 86,000 hours, should also be emphasized.

<b>Average hours of training per year per employee</b>				
	<b>2010</b>		<b>2011</b>	
	Hours of training per year	Average hours per year per employee	Hours of training per year	Average hours per year per employee
Executive staff	9,348	31	10,007	29
Technical managers	101,106	43	81,995	33
Technicians	694,611	41	894,765	52
Administrative staff	22,145	16	95,203	69
Operatives and junior staff	397,490	26	459,191	25
Unspecified <sup>91</sup>	6,228	NA		
<b>Total</b>	<b>1,230,929</b>	<b>34</b>	<b>1,541,161</b>	<b>39</b>

In 2011 we developed a course that will provide basic knowledge on human rights, with the intention to extend this course to the whole of the work force in the coming years. The course will be available to all employees beginning in 2012.

Also in 2011 we began a project to integrate and streamline the training offered relating to security and the environment, which will allow us to unify the training offered by the company worldwide, and make training available on locally relevant issues.

We also began to develop a new module to raise awareness on security, with the aim of making a significant qualitative and quantitative leap in this subject.

We continued our programs to integrate people with disabilities and at risk of social exclusion. This year the programs were delivered eight times, twice with people from both groups; we trained 120 people, of whom 39 have joined the company, 25 with disabilities and 14 at risk of social exclusion.

*More information on talent-identification tools such as People Review and knowledge-management projects can be found at [personas.repsol.com](http://personas.repsol.com)*

<sup>91</sup> The breakdown for online training by professional category is not available.

## Performance appraisal

In 2011 we applied a new model of management, *Gestión por Compromisos* (GxC) - management through commitments - as our system for assessing the performance of those people not covered by collective agreements. At YPF there is a performance management model called *Gestión Profesional Sustentable* (GPS) - sustainable professional management.

GxC is a people-management system focused on actions to achieve individual commitments and goals shared with the business unit. It applies to directors, technical managers and technicians.

The process consists of annually defining the goals of each unit and the corresponding individual commitments of each person: Their functions, their responsibilities and their projects and areas for improvement or development. These commitments are established as specific goals for each employee to achieve, as well as committing themselves to act according to Repsol's behaviors. These commitments, made individually and agreed jointly between manager and coworker, must be aligned with the unit's goals.

This process is ongoing throughout the year and divided into four stages: Defining goals, reviewing goals, appraising performance and individual ranking. The results are:

- Defined goals for the individual and the business unit
- Appraisal of individual performance on a scale of 60 to 120, based on comparison with the other employees of the same level in the same professional category
- Appraisal of achievement of the unit's goals on a scale of 0% to 100%.

Both appraisals produce a final individual score which determines the variable component of the employee's pay.

During the course of the year, we appraised the individual performance of a total of 20,192 people. An annual individual development plan was drawn up for each of them. Women receiving the performance appraisal stood at 27%, matching the percentage of women in the work force. The increase in assessments in recent years is due to performance appraisal being progressively extended to people included in collective agreements. It should be highlighted that this year YPF employees covered by collective agreements were included.

Performance assessment at Repsol					
	2009	2010	2011		
			F	M	Total
Number of people undergoing performance assessment and review	13,154	15,573	5,371	14,821	<b>20,192</b>
Percentage of total employees	39%	43%	51%		

## Turnover

The total turnover rate is calculated as the total number of staff leaving the permanent Repsol workforce as a proportion of the total workforce at December 31, 2011.

Total turnover rate											
	21-30 years old		31-40 years old		41-50 years old		51-60 years old		Over 60		Total I
	F	M	F	M	F	M	F	M	F	M	
Spain	3%	3%	4%	2%	2%	3%	5%	6%	NA	NA	5%
Argentina	13%	11%	3%	3%	4%	2%	5%	4%	11%	8%	5%
Peru	53%	35%	11%	6%	10%	3%	-	1%	0%	3%	20%
Rest of Latin America <sup>92</sup>	NA	NA	15%	10%	16%	8%	-	6%	0%	8%	11%
Rest of the world <sup>93</sup>	11%	17%	6%	19%	7%	18%	4%	11%	7%	15%	13%
	NA	NA	5%	4%	4%	4%	4%	5%	NA	NA	7%

We calculate the voluntary turnover rate as the number of people voluntarily leaving the permanent work force in relation to the total Repsol workforce at December 31, 2011.

Voluntary turnover rate											
	21-30 years old		31-40 years old		41-50 years old		51-60 years old		Over 60		Total I
	F	M	F	M	F	M	F	M	F	M	
Spain	2%	1%	1%	1%	0%	0%	-	0%	3%	1%	1%
Argentina	10%	8%	2%	2%	1%	1%	-	0%	-	1%	3%
Peru	47%	29%	9%	5%	8%	2%	-	0%	-	3%	17%
Rest of Latin America <sup>94</sup>	5%	5%	4%	5%	10%	3%	-	2%	-	5%	4%
Rest of the world <sup>95</sup>	8%	6%	4%	6%	4%	4%	3%	2%	7%		4%
	14%	9%	2%	2%	1%	1%	0%	0%	3%	1%	3%

Owing to the high turnover rate in Peru (see the discussion under Integrating New Employees), this country is treated separately from the rest of Latin America, as the remaining countries have rates very similar to the average.

<sup>92</sup> Bolivia, Brazil, Chile, Cuba, Ecuador, Mexico and Venezuela.

<sup>93</sup> Algeria, Canada, UAE, USA, France, Kazakhstan, Libya, Holland, Portugal, Switzerland and Trinidad and Tobago.

<sup>94</sup> Bolivia, Brazil, Chile, Cuba, Ecuador, Mexico and Venezuela.

<sup>95</sup> Algeria, Canada, UAE, United States, France, Kazakhstan, Libya, Holland, Portugal, Switzerland, Trinidad and Tobago.

## Compensation and remuneration systems

Remuneration is an important element in attracting and retaining the professionals we need. Our compensation system is designed to reward individual performance, at competitive market rates, and is appropriate for an organization such as Repsol.

Our variable remuneration systems are applied with utmost transparency, ensuring that they fairly reflect the individual performance of each employee, and guaranteeing sustainability in the company's results.

At Repsol our policy is based on a fixed salary, variable annual remuneration and a multiannual incentive. Middle managers and qualified professionals (those not covered by collective agreements in Spain and belonging to equivalent groups in other countries), all receive the variable annual remuneration, while only those with critical knowledge or in key positions, whose targets are based on the company's strategic plan, receive the multiannual incentive.

In 2011, for the first time, an agreement was signed with the unions to introduce variable annual remuneration for personnel covered by a collective agreement in Spain.

In 2011, a single calendar was introduced worldwide for the company's salary reviews and annual performance appraisals. This change has allowed individual annual performance to be better aligned with recognition decisions such as pay increases, changes of status or the allocation of long-term incentives. It has allowed for more consistency, fairness and simplicity in the management of remuneration decisions. In addition, decisions affecting executives, technical managers, technicians and country technicians are now taken in the same time period worldwide, regardless of the country in which the person is located. This allows managers a single and more global vision of their teams.

In practice, this integration has meant a more complete interview in which the line manager discusses with each coworker their performance results for the year:

- Their position in the company's global ranking
- The level of achievement of the unit's goals
- The decisions about the different elements of the salary review process which have an impact on the individual (percentage increase, promotion)
- The allocation of any medium-term incentive
- The achievement of strategic goals
- The impact on the amount that the individual receives from the medium-term incentive allocated four years earlier (if one was allocated).

The aim of this practice is to clarify both the company's and the individual's performance and to relate it to the components of remuneration recognition. This takes place at a set time each year, when the employee is given an overview of their annual performance and the direction to take for their future development.

It is also worth noting that in 2011 two systems of remuneration by share distribution were approved at the shareholders' general meeting:

- The share acquisition plan 2011-2012, aimed at directors and employees in Spain, is intended to allow those who wish to receive up to €12,000 of their annual salary in 2011 and 2012 in company shares, in accordance with the closing price of Repsol YPF shares on the automated quotation system of the Spanish stock market on the date that the benefit is paid out; this takes place in the months of October, November and December. In the current period, shares with a total value of €6.6 million have been handed out to the 1,533 employees who have opted for this plan.
- The plan to provide shares to beneficiaries of multiannual remuneration programs is divided into five cycles and aimed at executive directors, other executives and other company employees that are beneficiaries of certain cash multiannual remuneration programs. It will allow up to 50% of the gross value of the multiannual incentive that they receive in the first year of each cycle to be invested in Repsol YPF, S.A. shares.

Those taking part in each of the plan's cycles will have the right to receive a proportion of a Repsol YPF, S.A. share for every three shares acquired in the initial investment for each cycle, so long as the shares remain in their property for a period of three years. Three hundred and fifty beneficiaries have taken advantage of the first cycle of the plan and have acquired a total of 227,498 shares.

### Living wages

<b>Ratio of Repsol minimum salary to the legal minimum salary in each country</b> (€ / month)			
<b>Country</b>	<b>Minimum salary in country</b>	<b>Repsol minimum salary<sup>96</sup></b>	<b>Repsol salary / country salary</b>
Spain	641.40	1049.60	1.64
Argentina	414.93	449.92	1.08
Bolivia	86.67	1188.89	13.72
Brazil	158.33	636.38	4.02
Ecuador	195.56	195.56	1.00
Peru	190.90	190.90	1.00
Portugal	485	485	1.00
Trinidad and Tobago	252.92	1069.83	4.23
Venezuela	266.70	490.96	1.84

The starting salary at Repsol greatly exceeds the minimum salary in most countries. In the cases of Peru and Ecuador, the similarity between the two salaries is a consequence of the commitment we made in these countries to take on people who were previously outside workers as permanent members of Repsol's staff. Hence the increase in the work force in these countries in the last few years.

### Social benefits

In 2011, our spending on social benefits in our largest countries of operation was as follows:

<b>Benefits</b>	<b>2010</b>	<b>2011</b>
€		
Healthcare	20,845,315	24,318,925
Meal vouchers	27,044,773	31,709,974
Funding for studies	2,730,436	2,432,867
Pension plan provision	35,206,247	34,502,631
Accident and death insurance	3,976,083	4,221,149
Loan subsidies	585,114	670,221
Personal transport	30,101,119	34,084,485
<b>Total</b>	<b>122,751,341</b>	<b>131,940,253</b>

<sup>96</sup> Minimum salary of lower category agreement..

The breakdown of spending on social benefits in our countries of significant activity is as follows:

Country (€)	2010	2011
Spain	61,291,973	62,547,193
Argentina	46,820,000	58,004,120
Ecuador	4,831,948	4,165,913
Peru	4,630,288	4,276,144
Portugal	5,177,132	2,946,882
<b>Total</b>	<b>122,751,341</b>	<b>131,940,253</b>

The significant increase in Argentina is due to the impact of growth in the average workforce in the YPF Group and the rising value of the Argentinean peso. The data for Portugal for the last two years are not comparable, as the way social benefits are calculated has been modified through an accounting reclassification.

## Diversity, equal opportunities and balance

We created a "Cultural Diversity" working group; We continued to incorporate disabled people into the workforce; The number of local executives and technical managers is greater.

*At Repsol, 818 people are now teleworking, up 18% compared to the previous year.*

In 2011, Repsol's Diversity and Conciliation Committee met three times to continue their efforts to promote diversity and work-life balance, with multidisciplinary teams that propose and encourage the introduction of innovative initiatives, such as teleworking, integrating people with disabilities, flexible working hours, adapting facilities and time management.

This committee approved the creation of a new 'Cultural Diversity' working group, with the aim of adapting management practices to the company's employees in an increasingly multicultural environment, turning that diversity into competitive advantage. This working group is made up of representatives from each area.

### Work-life balance

In support of greater work-life balance, one of our aims is to allow Repsol's workers to carry out their work flexibly, so they can adapt their working day to suit their personal needs, so long as their work allows it and in accordance with the customs, traditions and restrictions established in each country or region.

Taking into account of the customs and traditions of each country or region, implemented worldwide and with the following minimum term, we provide paid leave for:

- Maternity: A minimum of 12 weeks following childbirth.
- Breastfeeding: If a female worker has taken less than six months' maternity leave, she is entitled one hour's paid leave per day for breastfeeding, for a period of three months after returning to work. This leave may be divided into two half-hours daily or combined to form a single period of eight full working days.

- Paternity: A minimum of three working days following the birth of a child.
- Bereavement: In the event of a family member's death, workers may take two calendar days' paid leave, or five if it is necessary for them to travel.
- Marriage: In the case of marriage or official registration of civil partnership, workers may take paid leave for a minimum of five working days.

These measures exceed the legal requirements in the majority of countries where Repsol is present. In Spain, all employees benefit from the following additional entitlements:

- Workers who wish to request a shorter working day for family reasons may do so up to the child's 12<sup>th</sup> birthday.
- Civil partnerships have been placed on a par with marriage in every respect, including the provision of 15 days' leave in the event of formalizing a civil partnership.

The 6th Framework Agreement, for headquarter offices in Madrid, includes flexibility regarding when the working day begins and the option of reducing the amount of time taken for lunch to 45 minutes, in order to leave work earlier. It also allows reduced hours to be combined with full day teleworking and with the 20% per day option, unless this reduce hours are equivalent or more than a third of a complete working day.

In October 2011, we launched "Alares", a program of welfare services aimed at all of Repsol's permanent and temporary employees in Spain. This measure, aimed at helping employees balance their personal, family and professional lives, involves providing free access to specialist treatments at home, a telephone helpline and other services to support the health of employees and their immediate family. Moreover, the cost of the service is met entirely by the company.

Teleworking has been further embedded as an approach to work-life balance that is viewed very positively internally, as reflected in the results of an opinion survey of 2,538 employees. Both teleworkers and their managers, colleagues and company directors emphasize how the trust that managers have for teleworkers positively influences their involvement, motivation and productivity. In 2011 the program was extended to industrial complexes and branches in Spain. At the end of the year, a total of 818 people had joined the program worldwide, which reflects the fact that it is increasingly viewed as normal and fundamental for attracting and retaining talent.

The teleworking group is made up of people from virtually all areas within the company, and all professional groups and age ranges. The gender breakdown is 35% men and 65% women.

In Spain, of the 690 teleworkers, 66% are women and 34% are men (457 women and 233 men). In Argentina, 65% are women and 35% are men (63 women and 39 men). In Portugal, 36% of teleworkers are men and 64% are women (9 men and 16 women) and in Peru, where the program is just being introduced, there is one man signed up for teleworking.

<b>Teleworkers at Repsol</b>			
<b>Country</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Spain	362	557	690
Argentina	140	120	102
Portugal	14	14	25
Peru			1
<b>Total</b>	<b>516</b>	<b>691</b>	<b>818</b>

The reduction in the number of people teleworking in Argentina is due to an organizational restructuring project that includes all of YPF's businesses. For that reason, many people have changed jobs and, in many cases, their managers or the employees themselves have opted to restrict teleworking until they have adapted to their new roles.

We also promote efficient time management through a variety of initiatives, such as an interactive guide to proper use of email. This guide has been consulted by 11,870 employees.

## Recruitment of people with disabilities

In support of diversity, our plan to integrate people with disabilities has meant a very significant cultural change within the company, through which we aspire to reflect 21st century society and manage the challenges of social cohesion more effectively.

Employing workers from this group requires a number of support measures, both in terms of workplace accessibility and in the selection and training processes and awareness among the workforce. Among the factors contributing to the plan's success is the initiative and commitment of senior management. Their proactive attitude toward learning and collaborating with expert bodies with more experience makes it possible to benefit from their advice and support.

Our collaboration with the ONCE Foundation has been enhanced with the signing of the second INSERTA agreement, a new collaboration agreement between Repsol, the Repsol Foundation, ONCE and the ONCE Foundation. This agreement allows our current collaboration to be stepped up and further action taken with regard to accessibility, workforce integration and access to university for people with disabilities.

Measures to promote equal opportunities for disabled employees have largely focused on the following areas:

- Accessibility of the content and services offered by Repsol's corporate portal through "design for everyone".
- Improvements and adaptations to our facilities, emphasizing universal accessibility and creating environments adapted to the new cooperative and multidisciplinary ways of working, of which 'Campus', the new company headquarters in Madrid, is a clear example.
- Analyzing working roles to clarify the requirements and thus allow vacancies to be identified and positions to be offered that can be filled by people with disabilities.
- Training and raising awareness of new employees to prepare them for performing the tasks required in their post. We have carried out numerous such awareness raising events for our workforce, including executive personnel, with very satisfactory results. In 2011, a total of 6,502 people took part in one of the forums organized in different company centers.

The plan to integrate people with disabilities was begun in 2005 in Spain and its progressive implementation has had a noticeable impact at Repsol. We now have a total of 578 workers with disabilities in Spain (3.2% of the workforce), 400 hired directly and another 178 by other routes. There are also 65 disabled employees in Argentina, 24 in Ecuador, 24 in Peru and 14 Portugal. Of these, 20% hold technical posts.

During the course of 2011, Repsol received the following notable recognitions, among others:

- The Ability Award for the best large private company. This award publicly recognizes those Spanish companies and institutions that have sustainable business models and include different capabilities in their value chain, whether as employees, suppliers or clients.
- Various awards for inclusion and workforce integration in Spain: Discapnet awarded by the ONCE Foundation; the COCEMFE award, both in Castilla-La Mancha and in Asturias; the Prodis award given to the Repsol Foundation by CERMI; the Lanear award from the Gureak group.
- The General Rumiñahui award given to Repsol Ecuador by the provincial government of Pichincha for our socially responsible and committed work.

## Equal opportunities

In support of gender equality we continued to make progress in implementing equality policies that help us to achieve optimal management of our human resources. In the last few years, our equality round table has developed a code of best practices with regard to equality and work-life balance, with the aim of avoiding discrimination and promoting equal opportunities within the company. Moreover, in the last framework agreement, we were encouraged to draw up an explanatory guide on harassment, to raise awareness of inappropriate behavior and improve its prevention in the company. We also agreed to prepare an 'Equality Report', to be published every two years, on the status of the labor situation in the group and relevant measures have been taken in the two year period.

Repsol YPF, S.A is one of 36 companies to be awarded the emblem of equality in the workplace. This award is given by the Spanish Ministry of Health, Social Policy and Equality to entities that stand out in a particularly significant way for their efforts to ensure equal treatment and opportunities for their workers.

<b>Repsol people by age and gender</b>			
	<b>Women</b>	<b>Men</b>	<b>% Women</b>
Under 20	99	164	38%
Between 21 and 30	3,164	5,447	37%
Between 31 and 40	4,537	9,995	31%
Between 41 and 50	1,897	6,642	22%
Between 51 and 60	894	5,848	13%
Over 60	80	857	9%

We continued with our efforts to achieve gender equality in the company's workforce, in a historically male-dominated sector.

Repsol's remuneration system supports equal opportunities and does not discriminate, which means that men and women, given the same position, experience and performance, will be on the same level of pay.

We have established an internal methodology which allows us to compare the salaries of men and women by professional category and country. We exclude situations where the percentage of women or men in a given group is less than 10% from this comparison as it would not be representative and, therefore, it is not shown in the table below.

<b>Women's base salary as a percentage of men's</b>					
<b>Country</b>	<b>Executive staff</b>	<b>Technical managers</b>	<b>Technicians</b>	<b>Administrative staff</b>	<b>Operatives and junior staff</b>
<b>Spain<sup>97</sup></b>	92	85	92	92	-
<b>Argentina</b>	-	91	88	105	74
<b>Bolivia</b>	-	94	103	-	-
<b>Brazil</b>	-	73	87	-	-
<b>Ecuador</b>	-	59	109	-	-
<b>Peru</b>	-	58	55	-	-
<b>Portugal</b>	-	100	95	-	98
<b>Trinidad and Tobago</b>	-	91	76	-	-
<b>Venezuela</b>	-	99	80	-	-

<sup>97</sup> Data on Spanish executives does not include Division Managers, Corporate or Executive Directors.

We believe that ensuring diversity in our management team and including local managers in country executive teams gives us a high-value competitive advantage. It gives us an understanding of the expectations and needs of the societies where we operate, allowing us to offer appropriate solutions that translate into business profits. Ninety-two percent of all of the company's executives are from the country where they work.

Executives and technical managers by country of origin in 2011						
Country	Local executives and technical managers		Total executives and technical managers		Percentage	
	2010	2011	2010	2011	2010	2011
Spain	1,112	1,222	1,260	1,391	88	88
Argentina	831	921	897	921	93	100
Ecuador	25	28	27	31	93	90
Peru	46	53	67	82	69	65
Portugal	47	45	52	50	90	90

More information about people at Repsol according to age, gender and country, nationality of directors, and information on work-life measures in place can be found at [personas.repsol.com](http://personas.repsol.com)

## Occupational Health

The rate of absenteeism due to common illness in our Spanish workforce, was 3.28% in 2011, a slight increase compared to 2010 when it was 3.10%.

Some of Repsol's employees run the risk of contracting specific illness through their daily work, due to exposure to noise, physical strain or the presence of chemical risks. The occupational illness rate (cases of occupational illness per 200,000 person-hours worked) caused by illness or accidents at work was 0.11 in Spain, 0.027 in Argentina, 0.1 in Venezuela and in all the other countries, zero. The most common cause of occupational illness was hypoacusia (partial loss of hearing) induced by noise, tendonitis and pneumonitis.

To avoid these illnesses, we carry out a general risk assessment as a prerequisite for planning and implementing preventative action. This includes general identification of risks, specific assessment of risks and corrective measures with their corresponding periodic controls.

### Prevention

We take preventative action to try to eliminate, control and reduce the risks identified. Planning also includes the appropriate emergency measures and collective and individual health surveillance activities, as well as worker information and training.

Some specific examples include:

- Spain: We have preventative measures in vaccination programs and early detection programs for cancer and cardiovascular risk.
- Argentina: We have preventative measures to avoid seasonal illnesses (such as influenza A (H1N1), dengue fever), sporadic illnesses (such as cholera) and illnesses endemic in particular

regions (such as Chagas disease). We give training and vaccinations in the case of influenza A (H1N1).

- Bolivia: We give courses and talks on endemic contagious diseases, such as dengue fever and influenza A, and on parasite removal, to avoid the risk of gastrointestinal diseases, acute diarrheal disease (with information campaigns in the communities neighboring the Margarita field) and acute respiratory infections (with preventative information and vitamin C distributed). We also have immunization campaigns for yellow fever, typhoid fever, hepatitis B, tetanus/diphtheria and influenza A (H1N1).

- Colombia: We have specific vaccination programs and information campaigns on illness prevention.

- Ecuador: We undertake special research according to the risk involved in the work, including:

- Surveillance of the chemical risk presented by benzene, toluene and xylene to workers exposed to chemical risk
- Orthopaedic assessment of workers exposed to mechanical or ergonomic risk
- Hearing screening of individuals exposed to physical risk.
- Screening for Chagas disease in those who work in areas where the disease is present.

- Venezuela: We provide education and information programs on carrying out dangerous tasks, specific training for new employees and for those whose job has changed or been modified, epidemiological surveillance, drawing up contingency and emergency service plans and drawing up a program for using free time.

We also have plans for attending to workers, their families and members of the communities in which we operate. Some examples include:

- Argentina: Charitable aid programs for workers and their families. In addition, the occupational health service organizes training courses in the different regions for both permanent members of staff and contractors, covering first aid, cardiopulmonary resuscitation, attending to and moving the injured, training on snakes and spiders, preventing cardiovascular diseases, diet and healthy living and preventing infectious diseases (such as influenza A (H1N1), dengue fever, cholera).

- Bolivia: Healthcare programs that include occupational medical examinations, medical attention for permanent staff, contractors and the communities neighboring Mamoré, Margarita and Piraimiri, as well as medical care through private medical insurance.

- Colombia: A health plan for common diseases for workers and their families. We provide primary health care for the community for health-related incidents in the Capachos field.

- Spain: An annual campaign for the prevention of colon and prostate cancers, information and assessment of cardiovascular risk, employee training in first aid, cardiopulmonary resuscitation, stress management, manual load handling, and others.

- Peru: Campaigns on obesity, high cholesterol and healthy lifestyle habits, as well as programs with family involvement.

- Venezuela: Inclusion of all workers and their families in a medical insurance plan that covers emergency medical situations, as well as preventative and curative medicine, even covering medical conditions excluded by the majority of insurance policies.

Further health initiatives carried out in 2011 include:

- We developed a general framework for action, as well as a model for the effective deployment of the occupational health function throughout the group. This management model includes responsibilities, administrative and supervisory elements, and the coordinating bodies needed to ensure that policy and strategic guidelines are adhered to and goals are achieved.
- The Regulation on Environmental, Social and Health Impact Assessment was approved, responding to the latest trends in health impact assessment, which enables us to take action with local communities and to consider health matters in the early stages of projects.
- We made various support visits to the operations in Algeria and Cuba to assess the emergency plans and evacuation systems in place (including the availability of suitable external suppliers).
- We took various humanitarian aid actions as a consequence of the conflict in Libya.

### **Repsol Bolivia was certified as a healthy company**

Repsol Bolivia's "Saber Vivir" program has made progress in promoting the adoption of healthy habits and a better quality of life for employees and their families in Bolivia.

Promoting health lifestyles, safe conduct at work and beyond and finding a balance between working and family life are the main aims of the "Saber Vivir" program, in place at Repsol Bolivia since 2010. This has merited the company with the healthy company certification in 2011, under the auspices of Bolivian Standard NB:512001:2008.

This achievement was only possible with the participation of the employees and reflected such performance as 100% attendance of the annual medical checkup by personnel, and provision of ongoing information to employees about healthy habits through courses on ergonomics and time management, among others.

Last year the company began to incorporate the Bolivian Standard, the Sistema de Gestión de Empresa Saludable (Siges) – healthy company management system – endorsed by the Bolivian institute for standardization and quality – Instituto Boliviano de Normalización y Calidad (Ibnorca). This standard originated in Bolivia and Repsol is the second company in the world to receive the certification.

Our specific actions covered three areas: Attendance, prevention and health promotion. This translated into positive indicators such as the extensive coverage of the annual medical checkup, which allowed us to monitor different conditions such as high cholesterol, diabetes risk, obesity and high blood pressure.

In the field of prevention, we carried out an education program on healthy lifestyles and a personalized approach to looking after one's own mental and physical health. Training was also given on time management, ergonomics and prevention of substance abuse.

More information on occupational health management and the Repsol occupational health regulation can be found at [personas.repsol.com](http://personas.repsol.com)

# Local communities

## Our activity and its impact on communities

In November, we approved a global policy that establishes basic guidelines for a preventive approach to people and the environment in all our operations.

Our aim is to make sustainable investments that benefit Repsol and also the communities affected by our operations. We contribute to local development in different ways: through the tax that we pay, the personnel we hire, the goods and services that we buy from local firms and the social investments made directly in the local communities in the areas affected by our projects.

In 2011, hundreds of communities were directly or indirectly affected by our upstream activities and more than ten cities and their outlying populations were affected by our industrial complexes.

We are committed to working to maximize positive aspects and opportunities to generate shared value and to prevent and minimize negative impacts through dialog and community involvement. This commitment is contained in our Policy on Community Relations.

### **Assessing social and environmental impact**

We established a new worldwide Regulation on Environmental, Social and Health Impact Assessment, approved in November 2011. Among other things, it obliges us to carry out environmental impact assessments on new projects, establish human rights impact assessments and respond to the latest trends in health impact assessment.

The regulation lays down the basic guidelines for the assessment of the environmental, social and health impact of the company's activities, to enable a preventative approach to impacts on people and the environment implicit in our Ethics and Conduct Regulation and our Health, Safety and the Environment, Community Relations and Relations with Indigenous Communities policies.

In its social aspect, the main contribution of the regulation is to establish a human rights impact assessment, which responds to the recent adoption by the United Nations (UN) of the framework for business and human rights, known as "Protect, Respect and Remedy", and the guiding principles for implementing it.

Moreover, the occupational health area will be involved with this policy, to respond to the latest trends in health impact assessment, including action with local communities and giving consideration to health matters in the early stages of projects.

Before being approved, the regulation was put out for consultation with various agencies concerned with protecting human rights, fighting poverty and protecting workplace standards. Virtually all of their comments have been incorporated.

This regulation will apply in all of the companies where Repsol has operating responsibility. In the case of assets not operated by Repsol, we will encourage adherence to the criteria defined in this policy.

In addition, in 2011 the Upstream area compared its regulation on Environmental, Social and Health Impact Assessment (ESHIA) against this new corporate regulation. This analysis allowed us to identify the differences between this and the new policy, which include human right matters. During the course of 2012, the Upstream area will continue to work on formally reviewing this and other related policies and on implementing all of them, to learn about and promote the new human rights requirements that have been laid down companywide.

## The process of assessing and meeting expectations

We established channels for dialogue with our stakeholders in the area of influence of our operations as part of our Community Relations Policy.

The procedure we use to promote involvement with communities affected by the company's operations comes out of the community relations policy. This policy promotes, establishes and develops the guidelines for action regarding communities affected, directly or indirectly, by the company's projects and activities. This policy formalizes our social commitment to sustainable development and respect for the communities, regions and countries where we operate.

### Our relationship with the areas surrounding our industrial complexes

There are urban environments with large populations influenced by our industrial complexes. We maintain a systematic dialog with stakeholders from these communities and establish formal and informal channels of communication to further foster our relationship. As a general rule, we plan stakeholder visits to the company's industrial complexes, during which stakeholders are informed about our activities at the complex and about our work culture that emphasizes personal safety and the prevention and minimization of environmental impact.

Our industrial community relations, our dialogs and agreements established with them, are described below:

#### Spain

Industrial complex	Communities affected and number of inhabitants	Dialogs held	Agreements established
<b>A Coruña</b>	<ul style="list-style-type: none"> <li>– A Coruña - 250,000</li> <li>– Arteixo - 28,000</li> <li>– Meicende - 4,000</li> <li>– Bens - 300</li> <li>– Nostrián - 100</li> <li>– Arteixo - 28,000</li> </ul>	<ul style="list-style-type: none"> <li>– Periodic meetings with residents' associations and representatives of A Coruña city council and the regional government</li> </ul>	<ul style="list-style-type: none"> <li>– An agreement with the symphony orchestra and another with the Luis Seoane Foundation in the city of A Coruña</li> <li>– An agreement with the town of Bens to remodel our headquarters there</li> </ul>
<b>Cartagena</b>	<ul style="list-style-type: none"> <li>– Cartagena - 218,200</li> <li>– La Unión - 18,600</li> <li>– Alumbres - 3,400</li> </ul>	<ul style="list-style-type: none"> <li>– Six-monthly meetings with the residents association in Alumbres, a town directly affected by our activity</li> <li>– Meetings with representatives of local groups and associations of people with disabilities</li> </ul>	<ul style="list-style-type: none"> <li>– Agreement to build a football pitch for the sports school in the town of Alumbres</li> <li>– Agreement with associations of people with disabilities to provide training internships</li> <li>– Collaboration agreement with Cartagena Technical University</li> </ul>
<b>Muskiz</b>	<ul style="list-style-type: none"> <li>– Abanto y Zierbena - 10,000</li> <li>– Muskiz – 7,300</li> <li>– Zierbena – 1,300</li> </ul>	<ul style="list-style-type: none"> <li>– Periodic meetings with town councils, clubs and associations in the area</li> <li>– Committee to monitor Petronor activity</li> </ul>	<ul style="list-style-type: none"> <li>– Program of training grants aimed at young people from the towns nearby the complex, to facilitate their entry into the labor market</li> <li>– Training course leading to work as a</li> </ul>

		<ul style="list-style-type: none"> <li>- Visits to the Petronor industrial center</li> <li>- Quarterly distribution of the company's publication to all residents</li> </ul>	<p>plant operator. At the end of the nine-month course, more than 50% were hired. The rest will be taken on in 2012</p> <ul style="list-style-type: none"> <li>- Collaboration with the technical college on vocational training summer courses in Muskiz</li> </ul>
<b>Puertollano</b>	<ul style="list-style-type: none"> <li>- Puertollano - 52,000</li> </ul>	<ul style="list-style-type: none"> <li>- Three public advisory panel meetings</li> <li>- Two visits to the industrial center</li> <li>- Three talks with the residents association to address their concerns</li> </ul>	<ul style="list-style-type: none"> <li>- Collaboration agreement with the town council to promote and encourage cultural, children's, youth and sport activities</li> <li>- Collaboration agreement with the Ciudad Real Federation of Disabled People's Associations</li> </ul>
<b>Tarragona</b>	<ul style="list-style-type: none"> <li>- Tarragona - 134,085</li> <li>- Constantí - 6,592</li> <li>- El Morrel - 3,445</li> <li>- La Pobla de Mafumet - 2,810</li> <li>- Perafort - 1,230</li> </ul>	<ul style="list-style-type: none"> <li>- Periodic meetings with residents associations</li> <li>- Visits to the industrial center</li> </ul>	<ul style="list-style-type: none"> <li>- Agreement with the La Sinia environmental association to protect the ecology of the River Gaiá</li> <li>- Collaboration on a disability awareness program with the Mestral-COCEMFE Tarragona Federation, the city council and the Tarragona Educational Complex</li> </ul>

### Argentina

<b>Industrial complex</b>	<b>Communities affected and number of inhabitants</b>	<b>Dialogs held</b>	<b>Agreements established</b>
<b>Luján de Cuyo</b>	<ul style="list-style-type: none"> <li>- Mendoza - 1,741,610</li> <li>- Luján de Cuyo - 124,418</li> </ul>	<ul style="list-style-type: none"> <li>- Visits by residents and students</li> <li>- Meetings with key local figures and civil society organizations</li> </ul>	<ul style="list-style-type: none"> <li>- Agreement to organize cultural events in schools and other public institutions in Luján de Cuyo</li> <li>- Agreement with the Directorate for Renewable Natural Resources to set up wild bird rescue, rehabilitation and conservation center</li> </ul>
<b>La Plata</b>	<ul style="list-style-type: none"> <li>- Ensenada - 56,729</li> <li>- Berisso - 88,470</li> <li>- La Plata - 657,320</li> </ul>	<ul style="list-style-type: none"> <li>- Meetings with residents</li> <li>- Meetings with</li> </ul>	<ul style="list-style-type: none"> <li>- Remodeling and construction of the facilities in Plaza Almirante Guillermo</li> </ul>

	–	members of La Plata city council	<p>Brown</p> <ul style="list-style-type: none"> <li>– Construction of a comprehensive center for special education for disabled adults</li> <li>– Development of a joint work program to assess the canals surrounding the refinery and determine any environmental liabilities</li> <li>– Social and cultural development programs</li> </ul>
<b>Plaza Huincul</b>	– Plaza Huincul - 11,500	<ul style="list-style-type: none"> <li>– Meetings with residents</li> <li>– Meetings with local government representatives</li> </ul>	<ul style="list-style-type: none"> <li>– Agreement signed to build a cultural center</li> <li>– Collaboration with educational institutions in the area</li> </ul>

Portugal

<b>Industrial complex</b>	<b>Communities affected and number of inhabitants</b>	<b>Dialogs held</b>	<b>Agreements established</b>
<b>Sines</b>	<ul style="list-style-type: none"> <li>– Santiago do Cacém - 31,105</li> <li>– Sines - 14,260</li> </ul>	<ul style="list-style-type: none"> <li>– Visits by residents and students</li> </ul>	<ul style="list-style-type: none"> <li>– Social and cultural development programs</li> </ul>

Peru

<b>Industrial complex</b>	<b>Communities affected and number of inhabitants</b>	<b>Dialogs held</b>	<b>Agreements established</b>
<b>La Pampilla</b>	<ul style="list-style-type: none"> <li>– Ventanilla – 277,685</li> </ul>	<ul style="list-style-type: none"> <li>– Program of visits</li> <li>– Perceptions survey of residents and opinion leaders</li> <li>– Meetings with organizations, authorities and interested members of the public</li> </ul>	<ul style="list-style-type: none"> <li>– Social development programs</li> </ul>

*More information on the Policy on Community Relations and all the communities affected by Repsol's activities, by country and principal mechanisms for dialog and relations can be found at [comunidades.repsol.com](http://comunidades.repsol.com)*

## Indigenous communities

For the second year running, we continued to carry out studies on social performance in our operations involving indigenous communities, on this occasion in Ecuador. In November we implemented the first action plan arising from the study carried out last year in Peru and Bolivia.

Repsol is committed to respecting and observing the rights of indigenous peoples, in adherence of own values and commitments, as well as to comply with existing legislation and international treaties and agreements, such as Convention 169 of the International Labour Organization (ILO), whether or not they are incorporated into the legislation of the countries where we operate.

In 2011, we continued to implement and deploy our policy on indigenous communities, approved in 2009 and applicable to new projects and the expansion or closure of existing projects. In particular, we carried out campaigns to raise awareness of this policy among employees and contractors, and we also made it known to certain indigenous communities.

**Relations with indigenous communities affected by Repsol's operations in 2011**

<b>Country</b>	<b>Operation</b>	<b>Number of communities and approximate population</b>	<b>Ethnic group</b>	<b>Dialog and consultation</b>	<b>Agreements reached</b>
<b>Argentina</b>	Loma la Lata <i>(development)</i>	Four communities: Paynemil, Kaxipayiñ, Purrán and Cortes.	Mapuche	<ul style="list-style-type: none"> <li>– Dialog committee made up of YPF staff to arrange joint activities with the Mapuche Paynemil and Kaxipayiñ communities</li> <li>– Several rounds of dialog to clarify the communities' most urgent needs</li> </ul>	<ul style="list-style-type: none"> <li>– Collaboration agreements with the Paynemil and Kaxipayiñ communities to provide education and charity relief for the elderly, to supply gas and energy, maintain irrigation equipment and provide comprehensive medical attention</li> </ul>
<b>Bolivia</b>	Margarita <i>(development)</i>	Five communities directly affected and 32 indirectly affected. (2,000 people)	Guarani	<ul style="list-style-type: none"> <li>– Consultation to approve the drilling of a borehole for water in Campo Margarita</li> <li>– Consultation to approve the laying of collection and drainage pipes and access routes</li> <li>– Renewal and integration of the Margarita-Huacaya environmental licenses</li> <li>– Consultation to approve the drilling of boreholes W-5 and W-6</li> <li>– Environmental impact study relating to the drilling and operation of the MRG-8 well and the construction of collection pipelines</li> <li>– Consultation to approve the installation of collection pipes for the MRG-5, MRG-6 and MRG-7 wells</li> <li>– Consultation to approve the construction of a gas station to supply the vehicles of the Campo Margarita development and drilling project</li> </ul>	<ul style="list-style-type: none"> <li>– Implementation and adherence to the Zone III Itika Guasu communities agreement</li> <li>– Direct support focused on immediate needs in terms of health, education and productive development in communities in the directly affected area</li> <li>– Friendship and cooperation agreements 2011-2012, which prioritize needs identified by the town's authorities, such as the Ancahuasu community bordering on the activities of the Huacaya X1 well</li> <li>– Friendship and cooperation agreements 2011-2012, reached in line with the principal needs of the indirectly-affected communities of Palos Blancos and Iguirati, on health and education, training, awareness raising and prevention of domestic violence, sexual violence, teenage pregnancy and alcohol abuse</li> </ul>

	Paloma – Surubí (development)	10 communities	Aymara and Quechua	<ul style="list-style-type: none"> <li>– Information provided on Repsol's intention to sell the asset with the intention of maintaining good relations</li> <li>– To date, the asset has not been transferred</li> </ul>	<ul style="list-style-type: none"> <li>– Implementation of the inter-institutional agreement signed with the town of Entre Ríos in Cochabamba and the agricultural and livestock union federation Mamoré-Bulo Bulo, entailing a range of activities</li> </ul>
	Itatiqui	Five communities	Guaraní	<ul style="list-style-type: none"> <li>– Communication on plan for abandoning and closing the Itatiqui-X1 well</li> </ul>	<ul style="list-style-type: none"> <li>– Closure agreement in collaboration with the community covering erosion control and reforestation of the platform and access route to the Itatiqui-X1 well</li> </ul>
	Increase in pipeline capacity in the area operated by Petrobras	45 communities	Wenhayeek	<ul style="list-style-type: none"> <li>– Consultation with the aim of increasing capacity of transfer lines in the 28" gas and oil pipeline loop</li> </ul>	<ul style="list-style-type: none"> <li>– Friendship and cooperation agreement with the indigenous Weenhayeek people to implement the development plan for the Caipipendi area and support the implementation of the Development Plan for Indigenous Peoples (PDI) of the La Costa community</li> </ul>
	Increase in pipeline capacity in the area operated by Petrobras	One community	Guaraní	<ul style="list-style-type: none"> <li>– Consultation with the aim of increasing capacity of transfer lines in the 28" gas and oil pipeline loop</li> </ul>	<ul style="list-style-type: none"> <li>– Friendship and cooperation agreement with the indigenous Guaraní La Costa-San Antonio community, to implement the development plan for the Caipipendi area and support the implementation of the Development Plan for Indigenous Peoples (PDI) of the La Costa community</li> </ul>
<b>Ecuador</b>	Block 16 (production)	<p>Five directly affected communities: Dikaro, Yarentaro, Timpoka, Guiyero and Peneno, Waoran Communities (400 inhabitants)</p> <p>Two communities affected by logistical activity: Pompeya and Indillama (850 inhabitants), of the Kichwa ethnic group.</p>	Waorani and Kichwa	<ul style="list-style-type: none"> <li>– Consultation and collaboration with the indigenous people in the Environmental Impact Study: Reassessment of the Ex-post Environmental Impact Study for the development and production phase of Block 16, the Tivacuno fields and unified Bogi-Capirón field and the Pompeya y Shushufindi pumping stations, to drill 24 development wells</li> <li>– Collaboration on the 2011 annual operating plan to implement the Friendship, Respect and Mutual Support Agreement, in the areas of health, education, community</li> </ul>	<ul style="list-style-type: none"> <li>– Agreement to keep stakeholders informed about the monitoring of the jointly agreed annual operating plan</li> <li>– Agreement with the <i>Nacionalidad Waorani de Ecuador</i> (NAWE), Ecuador's Waorani people, to hire technical experts to assess the application and legal force of the Friendship, Respect and Mutual Support 1993-2013 agreement</li> </ul>

				<p>development and other community priorities proposed directly and through the governing counsel of NAWE. The annual operational plan is jointly agreed and signed annually and is then passed on to the appropriate authorities for monitoring. In addition to this agreement with the NAWE, agreements are also signed from time to time with the intra-block communities, on matters such as compensation for new projects or the expansion of platforms, infrastructure and other kinds of work that require a negotiation process and agreements to be reached.</p> <ul style="list-style-type: none"> <li>– Quarterly workshops to monitor the budgetary performance of the annual operational plan signed jointly with NAWE and make necessary improvements</li> <li>– Follow-up meetings to monitor adherence to the ongoing commitments in the compensation agreements with the intra-block communities</li> </ul>	
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<b>Peru</b>	Block 39 (exploration)	12 communities (2,190 inhabitants)	Arabela and Quechua	<ul style="list-style-type: none"> <li>– Participatory workshops on local hiring for the 454 km expansion of the seismic survey</li> <li>– Participatory workshops to design community monitoring of the 454 km expansion of the 2D seismic exploration area</li> <li>– Two informative workshops and one public hearing during the environmental impact assessment (EIA) process and prior to approval of the plan for local participation in the 3D seismic survey and drilling of 21 wells</li> <li>– Opening of suggestion boxes while the EIA was ongoing for the 3D seismic survey and drilling of 21 wells</li> </ul>	<ul style="list-style-type: none"> <li>– Provision of training workshops for those taking part in monitoring the 454 km expansion of the 2D seismic exploration area</li> </ul>
	Block 57 (exploration and development)	21 communities (10,570 inhabitants)	Asháninka, Kakinte, Machiguenga and Yine	<ul style="list-style-type: none"> <li>– Information meetings, visits and internal meetings totaling over 100 meetings and visits pertaining to the exploration project</li> <li>– More than 25 meetings and visits pertaining to the development project</li> <li>– Three participatory workshops held in Nuevo Mundo, Camisea and Shivankoreni and two public hearings, in Nuevo Mundo and Camisea</li> </ul>	<ul style="list-style-type: none"> <li>– 10 collaboration agreements were renewed with the indigenous communities and federations and the executors of the contract to administer the Machiguenga and Ashaninka community reserves</li> <li>– There are 13 other current long-term agreements lasting more than one year. Over the course of 2011, these agreements were implemented according to the terms and conditions agreed with the communities</li> <li>– Compensation agreements with the Nuevo Mundo, Porotobango, Poyeni, Camisea and Shivankoreni communities</li> </ul>
	Block 109 (exploration)	24 communities (3,100 inhabitants)	Awajún	<ul style="list-style-type: none"> <li>– Information workshops and other consultation processes</li> <li>– Participatory workshops on local hiring</li> </ul>	<ul style="list-style-type: none"> <li>– Initial agreements to carry out geological activity</li> </ul>
<b>Venezuela</b>	Quiriquire (development)	One directly affected (500 inhabitants)	Warao	<ul style="list-style-type: none"> <li>– Relationship established through the department for indigenous people's health</li> </ul>	<ul style="list-style-type: none"> <li>– Monitoring of the social investment programs established in 2010 was begun</li> </ul>

## Community relations teams

Our community relations teams are responsible for initiating, conducting and maintaining relations with the communities where activity is planned and for creating appropriate conditions and relations with the communities, so that they are aware of the characteristics of projects, their potential impact and the prevention and mitigation measures planned. The communities can also play a role in contributing to the company's full understanding of what the impact might be. Community relations teams are also responsible for aligning the interests of the communities with our social investment principles to bring about compatible projects.

To achieve this, we engage in dialog, information, consultation and negotiation processes.

The people that make up the community relations team are the visible face of the company in the communities. They are responsible for handling relations with indigenous peoples in a friendly and good faith atmosphere. They help to analyze the communities' needs and act as liaison officers between the company and the communities, mediating in potential disagreements and conflicts and seeking an understanding that is beneficial for both parties.

Our community relations people in countries where we have operations in areas inhabited by indigenous communities is detailed below:

<b>Our community relations personnel dedicated to indigenous communities</b>			
	<b>Permanent Repsol Employees</b>	<b>Contractors</b>	<b>Total</b>
Argentina	3	0	3
Bolivia	4	2	6
Colombia	1	1	2
Ecuador	7	0	7
Peru	25	3	28
Venezuela	2	3	5
Total	42	9	51

The number of people dedicated to this work is determined by the number of blocks that we operate in each country, by the number of indigenous communities in each block, by the number of communities that could be affected by our activity even if they are located outside the blocks, and by the area that must be covered to respond to all of the communities. Due to these factors, Peru is the country with the largest community relations team.

## Research into social integration

We have undertaken to commission studies by independent companies to assess whether or not we adequately adhere to our policy on indigenous communities in the countries where our operations come into contact with such communities.

Last year, the first survey of our operations in Peru and Bolivia was carried out and, in November, we published the action plan outlining our commitments to bring us into line with our new Policy on Relations with Indigenous Communities. The corrective measures include modifying the structure of the community relations area, developing and implementing a plan for relations with indigenous communities, federations and associations, and holding training workshops on social management in our operations.

*More information can be found on the action plan for applying Repsol's Policy on Relations with Indigenous Communities in Peru and Bolivia at [comunidades.repsol.com](http://comunidades.repsol.com)*

In 2011, we carried out a second study in Ecuador, with the following methodology, implementation and results:

Methodology	Implementation	Results
<p>Carrying out of study by an <b>independent third party</b></p> <p><b>Review of Repsol corporate and local documentation</b></p> <p><b>Analysis of disputes</b> and claims against Repsol in relation to its operations</p> <p><b>Identification of stakeholders</b> at company, national and local level</p> <p><b>Preparation of interviews</b></p> <p>Participation by <b>two civil society experts</b> with comments and recommendations at all project phases.</p>	<p><b>One operation</b> analyzed: <b>Ecuador's Block 16</b></p> <p><b>More than 45 interviews with stakeholders</b>, including local communities, indigenous communities, indigenous federations, public administrative bodies, international bodies and NGOs.</p> <p><b>Workshops with local Repsol employees</b></p> <p><b>Interviews with local employees</b> of Repsol</p> <p><b>Interviews with Repsol operation contractors</b></p> <p><b>Interviews with Repsol operation partners</b></p>	<p>Final report containing <b>seven general recommendations</b> and <b>32</b> categorized by <b>stakeholder</b> for Repsol (<b>November 2011</b>)</p> <p style="text-align: center;"></p> <p>Action plan to be carried out by Repsol (being developed in 2012)</p> <p style="text-align: center;"></p> <p>Approval of the action plan (2012)</p> <p style="text-align: center;"></p> <p>Publication of Action Plan (<a href="http://www.repsol.com">www.repsol.com</a>)</p>

*More information can be found on the Policy on Relations with Indigenous Communities and the Code of Practice for Relations with Indigenous Communities at [comunidades.repsol.com](http://comunidades.repsol.com)*

### What disputes have arisen?

In Colombia:

- In 2010, the Colombian national hydrocarbons agency (ANH), put blocks out to tender in a process known as Open Round Colombia 2010. An exploration and production block known as Cayos 1 and a Technical Evaluation Area (TEA) known as Cayos 5 were awarded to a consortium between the Colombian oil company, *Empresa Colombiana de Petróleo* (Ecopetrol), and YPF - Repsol.

On February 16, 2011, the Corporation for Sustainable Development in the San Andrés, Providencia and Santa Catalina Archipelago (CORALINA) brought public proceedings against the ANH aimed at excluding the “Seaflower” biosphere reserve and the protected marine area from exploration and drilling.

As a result, the ANH issued a communiqué on February 17 indicating that the signing of contracts for hydrocarbon exploration and production would temporarily be suspended in two areas in the vicinity of the archipelago, by mutual agreement with the companies

involved in the Open Round Colombia 2010 process; this decision was reflected in resolutions 167 and 168, of March 16, 2011.

In light of this situation, Repsol agreed to respect the decision of the relevant environmental and legal authorities. This situation ended on October 1 with an announcement by the Colombian president that oil exploration and drilling activities would not take place in this area.

In Peru:

- On May 15, 2011, the Peruvian energy and mining ministry (MEM), through the department for energy and environmental affairs (DGAAE), approved the environmental impact study (EIA) for the 2D-3D seismic survey and drilling of 22 exploratory wells at [Plot-Block 57](#), which lies between the provinces of Satipo (Junín), Atalaya (Ucayali) and La Convención (Cusco).

The MEM requires a program of public participation before approval can be given, comprising at least three information workshops and one public hearing. In compliance with current legislation and in keeping with the spirit of the ILO's Indigenous and Tribal Peoples Convention, Repsol held workshops and public hearings with the 16 communities directly affected by the project and organizations that represent them, which include the Organization for the Development of the Kakinte People (ODPK), as well as other community meetings, between March 2009 and September 2010. At these workshops and hearings, Repsol listened to the people's concerns, and included them in the EIA that was finally approved by the DGAAE.

After this approval, on June 13, 2011, the ODPK sent a letter to the MEM and to Repsol, saying that the Kakinte people, authorities and organization had observed and disapproved of the seismic prospecting project. This same letter also mentioned that on July 18, 2010, the Tsoraja community had held a meeting at which the Kakinte people had rejected the EIA of the Repsol project.

On August 11, 2011, at the request of the Tsoraja community, a meeting was held in the community at which the Tsoraja people, the director of the DGAAE and representatives of the company were present to explain the process of approving EIA's and the legislative mechanisms in place to ensure that the opinion of the communities, as expressed at the workshops and public hearings, is taken into account.

On August 15, 2011, the ODPK issued a communiqué unilaterally suspending all dialog and dealings with the company. Repsol, while respecting this decision, waited expectantly to resume dialog with the organization, which occurred in October 2011. Since that date, Repsol and ODPK have re-established dialog and mutual collaboration.

In November 2011, an agreement was signed in which the Tsoraja community gave Repsol permission to begin work on the camp and fitting-out the platform for drilling the Mapi LX well, which is located in the community's territory.

## Our community investment

Repsol YPF invested more than 29 million euros in social investment projects. We have contributed to achieving the United Nations' Millennium Development Goals with more than 750 projects.

We try to manage our social investment projects with the same professionalism that we would apply to any of our activities. The aim is to meet the needs expressed by the community and promote sustainable operations.

These social investment projects are very diverse in nature, ranging from training and capacity building, including technical training relevant to the oil industry, to infrastructure development, such as investment in community health care, water and drains and sewers. In some cases, these projects are supported through international NGOs.

In 2011, spending on social investment by the company and its foundations came to €34.50 million, of which €29.35 million was discretionary spending and €5.14 million was required to

meet contractual obligations. The biggest social investments outside Spain in 2011 were made in Argentina, Bolivia, Ecuador and Peru.

<b>Discretionary social investment<sup>98</sup></b>			
<b>€ Millions</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Social investment	30.25	29.93	29.35

As in previous years, we used the methodology of the London Benchmarking Group (LBG) to report social investment. This provides a global overview and allows results to be compared with those of other companies using this same methodology. The LBG methodology guides the way in which the company reports its community contributions, whether they take the form of money, employees' time, in kind or in management costs.

The table below provides a breakdown of the amount we devoted to each kind of contribution in 2011:

<b>Type of contribution</b>	
<b>€Thousands</b>	<b>2011</b>
Contribution in cash	23,596
Contribution of employees' time	3,019
Contribution in kind	495
Management costs	2,246
<b>Total</b>	<b>29,357</b>

Our community contribution is broken down by project type in the table below:

<b>Social investment by type of project</b>			
<b>€Thousands</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Education and training	9,624	10,430	7,988
Local community development	7,202	6,337	7,017
Social integration	4,963	3,898	6,329
Health	2,231	2,144	2,470
Environment	2,743	2,050	2,117
Art and culture	3,186	3,637	2,118
Humanitarian aid	299	530	464
Fees and associations	NA	965	853
<b>Total</b>	<b>30,248</b>	<b>29,993</b>	<b>29,357</b>

In 2011, social projects required the company to increase social investment in Bolivia and Venezuela.

<b>Distribution of social investment by country</b>			
<b>€Thousands</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Spain	10,233	12,319	14,114
Argentina	13,444	6,254	4,486
Algeria	37	458	235
Bolivia	506	1,164	1,366
Brazil	307	738	677
Canada	119	163	121

<sup>98</sup> In 2011, management costs in time and in kind were estimated, based on the data reported and verified in 2010, accounting for 19.6% of the total for social investment.

Colombia	72	275	223
Ecuador	843	1,576	1,495
Libya	1,516	671	636
Mexico	63	34	12
Peru	1,362	4,830	4,503
Portugal	388	390	222
Trinidad and Tobago	96	411	388
Venezuela	405	131	296
Other	857	577	581
<b>Total</b>	<b>30,248</b>	<b>29,993</b>	<b>29,357</b>

The most significant variations in social investment related to:

### The Millennium Development Goals

Repsol, through our commitment to the UN Global Compact, encourages and promotes the achievement of the Millennium Development Goals (MDGs). In 2011, approximately 37% of our social investment projects were directly related to the Millennium Development Goals.

<b>Social investment projects that contribute to the MDGs</b> (€ thousands)	
<b>Millennium Goal</b>	<b>2011</b>
Eradicate extreme poverty and hunger	1,662
Achieve universal primary education	1,993
Promote gender equality and empower women	1,278
Reduce child mortality	820
Improve maternal health	26
Combat HIV/AIDS, malaria and other diseases	45
Ensure environmental sustainability	139
Develop a global partnership for development	2,472
<b>Total</b>	<b>8,435</b>

### Obligatory contributions

Obligatory contributions are those that we make as a result of legal, regulatory or contractual requirements. This kind of contribution was made in eight countries in 2011: Argentina, Bolivia, Colombia, Ecuador, Libya, Mexico, Peru and Venezuela.

<b>Social investment by type of contribution</b>			
<b>€</b>	<b>Discretionary contribution</b>	<b>Obligatory contribution</b>	<b>Total</b>
Spain	14,114		14,114
Argentina	4,486		4,486
Algeria	235		235
Bolivia	1,366		1,366
Brazil	677	1,584	2,261
Canada	121		121
Colombia	223	91	314
Ecuador	1,495	130	1,625
Libya	636		636

Mexico	12	106	118
Peru	4,503	1,116	5,620
Portugal	222		222
Trinidad and Tobago	388		388
Venezuela	296	2,116	2,411
Other	581		581
	<b>29,357</b>	<b>5,144</b>	<b>34,501</b>

### Repsol Foundation in 2011

The Repsol Foundation maintained and strengthened its commitment to improving society and, to this end, worked on programs devoted to social inclusion, community development, sustainability and the promotion of art, science and culture.

#### Innovation and energy efficiency

In order to contribute most where we have unique strengths, such as energy, the environment and sustainability, the foundation has created the Repsol Foundation Entrepreneurs Fund, a pioneering initiative in Spain to promote business projects in energy efficiency that provide solutions save and make responsible use of energy. This initiative, which forms part of the foundation's commitment to improving the sustainability of current energy models, was conceived to attract talent, promote innovation and business development, generate economic activity and create jobs. The foundation will provide the Entrepreneurs Fund with up to €1.5 million a year, with the amount provided in 2011 standing at €670,000. The projects selected, up to a maximum of five per call, will receive technical, commercial, legal and financial advice, as well as economic support for as long as necessary for their development. Access to the market and the necessary business contacts will also be provided, to help consolidated projects move into the commercial stage.

The energy observatory continues to make progress with its reserch and publications on energy saving and efficiency. The Energy Efficiency Index and the Greenhouse Gas (GHG) Intensity Index were updated. The first measures overall energy efficiency, with a breakdown by economic sector in Spain; the second measures changes in the intensity of GHG emissions as a result of economic activity.

Promoting responsible citizenship is the aim of *ciudadanoR*, a project especially directed toward young people and children which encourages a culture of participation, respect and solidarity, as well as promoting responsible use of energy, respect for the environment and energy efficiency for sustainability. In 2011, the *ciudadanoR* trailer, a space equipped with interactive resources and various areas for workshops and games, went to Barcelona, Valladolid and Madrid in Spain, and to Lisbon, Sines and Porto in Portugal. In total it received more than 22,000 visits, of which more than 10,500 were from schoolchildren.

In the context of the European Year of Volunteering, the foundation set in motion its Volunteering Plan, to attend to the social concerns of the group's employees and their environment while contributing to building a better future for society. The plan, which was driven by senior management, was conceived by and for volunteers and covers a wide range of actions, especially in the social sphere, with initiatives aimed at training young people and programs to help the most disadvantaged groups. These include promoting values, intergenerational collaboration, sporting activities, environmental restoration and other online volunteering activities. The plan has six ongoing programs encompassing the work of more than 800 volunteers nationally and an extensive network of collaborators who contribute to the efficient running of these activities.

### **Training young people**

In keeping with the foundation's commitment to addressing new training and educational needs, a program of grants has been put together in collaboration with the Petronor, A Coruña and Tarragona refineries to promote vocational training among young people in the surrounding areas. In the last round, over 65 young people benefited from the awards. Similarly, to support postgraduate training and contribute to research, the foundation is collaborating with the Technical College for Mining Engineers in Madrid and the Technical College for Industrial Engineers in Madrid, with Repsol professorships. In addition, at Rovira i Virgili University the foundation is funding grants to enable students to access and continue their university studies who may otherwise have difficulty accessing studies of this kind. The Repsol Professorship of Competitiveness and Regional Development has also been established at the University of Lleida.

The foundation also supports the creation and dissemination of scientific knowledge. A collaboration agreement was signed with the Padres University Educational Foundation, represented by the philosopher and writer José Antonio Marina, to undertake a project to contribute to awakening interest in science and technology among young people. In the context of its agreement with the Spanish National Library, the Repsol Foundation sponsored a number of educational and cultural activities to bring science closer to people of all ages and to stimulate a taste for scientific knowledge. The foundation also supported training for South American specialists in the conservation of cultural and bibliographic heritage.

### **Integrating disabled people**

This is an area in which the foundation is increasingly more involved and, with cultural, sporting and educational initiatives, it has worked to achieve a social model that allows equal opportunities and fosters social inclusion and integration into the labor market for people with disabilities. In collaboration with the ONCE Foundation, the foundation continued its support for the program "Your training has no limits. Develop your future." And the program "Inclusive summer campuses. Campuses without limits." took place at six Spanish universities, with a total of fifty students with various disabilities taking part.

*Recapacita*, a project to raise awareness in society of the difficulties and barriers faced by disabled people in their daily life, is also part of the foundation's commitment to this group. The Recapacita marquee traveled to eight Spanish cities (Puertollano, Tarragona, Santander, A Coruña, Arteixo, Bilbao, Murcia and Madrid) receiving a total 17,000 visitors.

In recognition of its work to integrate disabled people into the labor market, in 2011 the Repsol Foundation was awarded the Prodis and Discapnet prizes.

The foundation sponsored research into "Social aspects of sustainable mobility", which reveals the habits and behavior of Spanish society with regard to mobility and the impact of current models of behavior. In the Energy Social Observatory, the Repsol Energy Efficiency Social Indicator was updated; the indicator analyzes the habits, beliefs, knowledge and aptitude of Spanish society with regard to energy consumption and identifies mechanisms and tools for improving energy efficiency.

### **Local community development**

In the countries where we are present, the foundation carries out programs to promote community development and improve quality of life, undertaking projects that are specific and appropriate to the needs of each area. Thus, in Peru a program is being carried out aimed at young Pachacútec and Arequipa people with limited resources, giving them access to education and fostering their subsequent integration into the labor market.

Also in Peru, the foundation supported the construction of the Luisa Astrain school, at which 375 pupils enrolled in the first year of academic activities. With this initiative, the Pachacútec

community will be able to provide opportunities for 1,000 schoolchildren, beginning in infancy, allowing children in situations of extreme poverty access to a high-quality education.

In Colombia, the foundation helped to build and equip the Child Development Center (CIDI) in Cartagena de Indias, offering medical attention to babies, to respond to the health problems identified in the area and help reduce infant mortality.

Health projects in Bolivia include the consolidation and expansion of the infrastructure at the San José Obrero de Portachuelo hospital in Santa Cruz de la Sierra, a town with a very fragile public health situation and critically high mortality rates among mothers and children under five. This initiative will help meet the healthcare needs of the population, which currently exceed the hospital's capacity to treat patients.

Support for culture is another factor that helps society to develop and progress. With various initiatives and in collaboration with other institutions, the foundation brings the public into contact with literature, music, theatre and art.

These programs and other initiatives reflect the Repsol Foundation's commitment and its contribution to improving society and people's well-being.

### **Repsol Foundation Ecuador**

In June 2011, this foundation took part in the second phase of the call for proposals (CAP) by the Spanish Agency for International Development Cooperation (AECID) within the area of business cooperation.

The aim of this area of action is to finance development initiatives based on cooperation with the business sector. Its strategic goal is to increase the impact of private sector resources and actions by promoting collaboration between parties involved in development and aligning them with the priority areas defined in the Outline Plan for Spanish Cooperation 2009-2012.

Based on the outcome of the CAP, the Repsol Foundation Ecuador will provide funds for a project in Ecuador to be managed by a third party: The Netherlands Development Organization (SNV).

The project will be jointly financed by the AECID with a grant of €149,932 and the Repsol Foundation Ecuador with €178,676. The total funding for the project comes to €328,608 and this will be handed over to SNV.

SNV is a non-profit organization which has been legally established in Ecuador since April 22, 1991; it is present in 33 countries on three continents and, with local and international employees, provides technical help and training to support capacity building in organizations. It has one main mission: "To contribute to the fight against poverty and the improvement of governance." In Latin America, SNV has a team of more than 200 employees in seven countries.

### **Description and beneficiaries of the project**

The project beneficiaries are largely settlers and, to a lesser extent, indigenous populations, most of them from the Amazonian Kichwa (Naporunas) ethnic group. Of these groups, it is estimated that approximately 15% are organized around some form of production or business and that the associative marketing of their products represents less than 10%, being dependent on chains of intermediaries.

The project will have a bearing on improving the economic base and the broader redistribution of wealth within it. One of the most important of the relevant business organizations is the

company *Asociativa Rural Aroma Amazónico*, which represents 15 organizations of the Sucumbíos and Orellana regions, with around 900 members and more than 1500 trading partners. The project will work toward the consolidation of economic and social networks of this kind.

National institutions and programs, such as the National Program for Inclusive Rural Business (PRONERI), the Ministry of Agriculture, Livestock Farming, Aquaculture and Fisheries (MAGAP) and the Ecuadorian Professional Training Service (SECAP), will be involved in the project, while at local level the Municipal Departments for Sustainable Development (DMDS) will also be involved.

### **Expected results of the project**

- Participatory development of inclusive businesses: 50 representatives from the public and private sectors will be trained and guided to formulate ideas for inclusive businesses, and part financing will be provided for the implementation of the best five projects. An information system for monitoring and assessing their impact will be implemented, to which the key parties in the business will have access. It is hoped that five inclusive businesses will be set up benefiting 1,000 families.
- Developing products and services: Support tools will be designed, such as supplier development programs, a mechanism for resolving conflicts between businesses and suppliers, a minimum standard for inclusive businesses, supplier loyalty programs and impact measurement. Members of the value chain will also be involved, so that they can develop, adapt and validate their products and services (technologies, improved varieties) and it will continue supporting the Ministry of Agriculture, Livestock Farming, Aquaculture and Fisheries' national program of inclusive rural businesses in the region; as well as the Ecuadorian Professional Training Service (SECAP) for training and work experience programs.
- Access to financial services: The project will promote opportunities to invest in inclusive businesses involving organizations of small producers, cooperative businesses or SMEs among different providers of financial services, which will contribute to the strengthening of their financial culture and structures.
- Developing and coordinating public-private networks: The Municipal Departments for Sustainable Development (DMDS) in the towns of Lago Agrio in Sucumbíos and Puerto Francisco de Orellana in Orellana will promote the establishment of a support network for inclusive businesses, as a space for public-private coordination, where results will be shared and compared.

More information on Repsol's social investment projects in each country can be found at [comunidades.repsol.com](http://comunidades.repsol.com)

More information on the Repsol Foundation and all its programs can be found at [fundacionrepsol.com](http://fundacionrepsol.com)

# Partners, suppliers and contractors

## Relations with our partners

We participate in 281 oil and/or gas blocks in 21 countries in which we do not have control of the operation and we use our capacity for influence to transmit our ethical, environmental and human rights standards to our partners.

A significant proportion of our activities is carried out by partners. These relationships are formalized by means of joint operating agreements (JOAs), which define the responsibilities of all the parties, particularly of the operating partner.

At December 31, 2011, we were participating without operational control in 281 blocks located in 21 countries, three more than the year before, due to new participation in a non-operated block in Spain and our entry into Ireland and Russia. Of these blocks, 184 are dedicated to exploration activities, 85 are under development and the remaining 12 are service contracts.

In light of how important it is that our partners apply ethical, social and environmental standards comparable to our own, in activities in which Repsol is not the operating partner we use our capacity for influence to ensure that our policy and management systems, or principles and systems equivalent to our own, are applied.

We notify our partners of our corporate responsibility requirements primarily via the technical committees. These sessions allow us to share experiences, examine the impact of the project and plan mitigation and remediation measures.

In 2011, we made progress with the commitments made in the Sustainability Plan 2012, after completing the review of the JOAs, which now include references to ethical behavior, fighting corruption, security and the environment. In 2012, we will continue to work to ensure that new agreements signed or renewed include clauses related to human rights.

### **Acquisition of new assets**

Before deciding to get involved in a new exploratory block or a new block under development, we assess the existing and potential risks. In these assessments we pay special attention to risks relating to corruption or insufficiently justified payments, the existence of environmental liabilities, the safety of the existing facilities and the presence of communities in the affected area.

This process of due diligence is regulated by company policy and involves the participation of different areas of the company in the preliminary assessment process. This assessment assumes particular importance in socially or environmentally sensitive areas, such as those where indigenous communities are present, where there is a great deal of biodiversity or where there are exceptional safety concerns.

The audit and control department, at the request of the business units and the legal services department, takes part in the audits prior to the acquisition of assets. These audits include a thorough review of the processes for negotiating and signing contracts, paying particular attention to possible risks of corruption or failure to adhere to the guidelines described in the United States' Foreign Corrupt Practices Act.

## **Controls in non-operated partnerships**

In 2011, the audit and control department carried out 40 studies of non-operated assets and contracts, in accordance with the plan put in place in 2010 to audit, as far as possible, all assets not operated by the company. This increase compared to the year before was due to a rise in investment in non-operated activities and to recent exploratory successes.

When auditing an asset not operated by the company, we carry out an analysis of the operation, taking into account the needs and specifics of each partnership. The scope includes, among other things, verifying the fulfillment of contracts by the operator and other partners, checking transactions and the distribution of production, examining the internal control processes and analyzing technical aspects of the operation.

In our audits of non-operated assets, we perform a selective check of transactions carried out and payments made by the consortium. In the event that unjustified expenditure or a potential incidence of corruption is detected, it is then analyzed. Once potential breaches detected during the course of the audits have been analyzed, they are formally reported, in writing, to the appropriate levels, including Repsol's senior management, so that the appropriate measures can be taken.

At the same time, recommendations are made about implementation of the remedial measures needed to rectify any internal control problems. Depending on the relevance or urgency of these measures, we use additional means of reporting, both internally and to partners, such as issuing audit notes, sending formal letters, working meetings with partners or with the committee responsible for operational control.

## Responsible management of contractors and suppliers

We safeguard integrity in our relationships with our suppliers and contractors, with decisive criteria that are organized into the following categories: environment, safety, ethical conduct and human rights. This year we conducted over 3,700 classification processes and 821 audits on suppliers and contractors.

*During 2011, we collaborated with 27,758 suppliers and contractors from 85 countries to carry out our activities.*

We continue to enhance our policies and our system for managing the supply chain, to ensure that our contractors and suppliers conduct themselves in line with Repsol's sustainability commitments.

We have consolidated the process for reviewing our supplier management policies, begun in 2010. Following their approval in 2011, the changes introduced to strengthen our supplier rating process have come into effect, with guidelines that explain in greater detail our commitment to ethical conduct and respect for human rights in our supply chain.

We safeguard integrity in the company's relationships with its suppliers and contractors, with decisive criteria that address the environment, security, ethical conduct and human rights. We require compliance with internationally recognized standards, as well as with the current stipulations on security, the environment, ethical conduct and respect for human rights found in our company policies. When a supplier or contractor is not able to comply with these requirements, they are not authorized to take part in calls for tender, and cannot be awarded contracts.

Furthermore, our general conditions for purchasing and contracts include clauses requiring compliance with our policies and procedures, and with current legislation and international standards, such as the United Nations' Universal Declaration of Human Rights and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.

As part of the Sustainability Plan 2012, we worked in 2011 on a proposal to enhance the general conditions for purchasing and contracts, with the inclusion of clauses that detail our demand for respect for human rights and ethical conduct. During the course of 2012, these clauses will be formally embedded in the general conditions for purchasing and contracts.

### **Integrating corporate responsibility into the purchasing and contracts model**

The changes to our policies and management system related to ethical and human rights issues, begun in 2010, were fully implemented in 2011:

- Inclusion in our supplier rating questionnaire of a specific section on "Ethics and Human Rights", covering basic questions in the case of low levels of criticality and more detailed questions in the case of suppliers that provide goods or services of a medium to high level of criticality.
- Assessing ethical conduct and respect for human rights in rating processes subsequent to the new policy coming into effect.
- Inclusion of a specific section in the audit guide, which is produced to assist with rating in areas of high criticality, for verifying aspects relating to working conditions, discrimination, freedom of association and child labor among others during visits or via documentary evidence.

- Updating the list of countries and goods or services thought to pose the greatest risk of corruption and human rights violations. We are including this criterion in assessing the level of risk to our reputation that might be engendered by our relationship with suppliers or contractors.

All of these policy changes covering requirements depending on the level of criticality affect all suppliers and contractors in areas of low, medium and high criticality.

Likewise, in certain circumstances it may be considered advisable to increase the requirements when rating a supplier, raising their level of criticality. This is a measure that is taken into account when entering into long-term contracts, with high invoicing volumes or with activities that could have a significant impact on nearby communities.

### Rating of contractors and suppliers

Through its rating processes, Repsol gets to know its contractors and the mechanisms they have in place for conducting themselves in line with responsible practices.

This information is fundamental for us to be able to adequately manage the ethical, social and environmental risks inherent in the supply chain, which in turn allows us to identify opportunities for maintaining a relationship that generates value for both parties and for society.

Before beginning their commercial relationship with us, suppliers and contractors are obliged to pass through a rating process, according to the criticality of the goods or service that they are going to supply. This criticality is divided into four levels termed very low, low, medium and high and it determines the requirements of the rating process.

<b>Supplier and contractor rating processes</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Suppliers of goods:</b>			
Qualified	1,329	1,858	953
Provisionally qualified <sup>99</sup>	5	36	99
Not accepted	76	96	100
Provisionally disqualified	-	-	4
<b>Services contractors</b>			
Qualified	2,451	3,190	1,991

<sup>99</sup> On some occasions a supplier may be "temporarily qualified" when it is found that it fails to comply with some minor requirement that prevents it from being classified as "qualified". This is a temporary situation that should be possible to remedy within a short period.

Provisionally qualified	35	143	225
Not accepted	279	285	259
Provisionally disqualified	-	-	11
<b>Suppliers of goods and service contractors</b>			
Disqualified			108

In 2011, the number of suppliers completing the rating or re-rating process fell. This was because in 2009 and 2010 a large number of ratings were carried out (covering more than 8,800 suppliers) and many of these ratings were still valid in 2011.

The number of processes resulting in a provisional rating increased. In a significant percentage of these cases, a considerable number of companies are performing less well than expected, in the context of the economic crisis we are experiencing. To avoid automatic rejection for this reason, we decided to offer a provisional rating, accompanied by monitoring of the economic and financial progress of the supplier or contractor.

In 2011, a total of 15 of our suppliers were provisionally disqualified, based on a negative assessment of their performance or for not reaching the minimum standards required during the rating process. The reasons were as follows:

- Failure to fulfill the conditions of the order or contract: 11 suppliers
- Unfavorable economic and financial situation: 2 suppliers
- Legal conflict between the supplier and our company: 1 supplier
- Disciplinary sanction: 1 supplier.

Additionally, a further 108 companies were disqualified indefinitely for committing serious breaches that justified the withdrawal of their rating. Given the repercussions of this disqualification, particularly its indefinite duration, decisions of this kind require the approval of the Purchasing and Contracts Functional Committee, the highest coordinating body in the company's purchasing and contracts area. The reasons for such disqualifications were:

- Negative economic and financial situation: 96.3%
- Technical or quality issues: 2.8%
- Negative performance assessment: 0.9%

### **Control mechanisms**

In 2011, 821 audits were carried out in 12 countries. Our purchasing and contracts policy requires audits of suppliers operating in areas of high criticality.

<b>Audits of suppliers and contractors</b>			
<b>Country</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Spain	200	111	68
Argentina	659	610	689
Bolivia	9		
Brazil	1		6
Chile	3		
China	3	3	1
Ecuador	20	6	8
France	1		
Germany		1	1
Italy	1	3	4
Japan		3	
Mexico		1	
Peru	37	41	26
Portugal	26	14	13
Russia		3	
Trinidad and Tobago	5		
United Kingdom			1
United States		1	3
Venezuela	2	1	1
<b>Total</b>	<b>967</b>	<b>798</b>	<b>821</b>

The fall in the number of audits in Spain and Peru compared to 2010 is due to the fact that many of the ratings of suppliers in areas of high criticality awarded in previous years remained valid.

Repsol conducts audits largely through contracted outside companies. We work with two companies in Spain, one in Argentina and for the Upstream business, one for Bolivia, Ecuador and Peru, and one for Portugal. In 2011, auditing firms carried out 803 of the audits. On some visits, Repsol staff were present, accompanied by the auditing firm. The remaining 18 audits were carried out exclusively by Repsol personnel.

#### **Ethical and human rights audit**

In 2011, with the changes affecting our policy on the management of suppliers coming into effect, a specific section on ethics and human rights was included in the rating audit of suppliers and contractors.

Now, when we carry out an audit, we verify *in situ* issues such as:

- Respect for human rights:
  - Forced labor

- Child labor
- Discrimination and abuse
- Working hours and remuneration
- Freedom of association and collective bargaining
- Ethical conduct:
  - Corruption
  - Fraud

Additionally, the policy allows for social audits of those suppliers and contractors where a high reputational risk is perceived. The overall aim of the audit is to verify the ethical conduct of these suppliers and their respect for human rights.

Apart from holding meetings with management, the audit also includes personal interviews with some of the company's workers. We have an audit guide that covers the scope of the visit, detailing the evidence that must be requested to prove compliance concerning the ethics and human rights issues mentioned above.

At the end of 2011, in order to gain experience in social audits of this kind, we set in motion a pilot trial, for which we carried out 10 audits. The companies chosen were in some cases direct suppliers of our company, with a contract and order; and in other cases we went further down the supply chain and audited subcontractors, that is, companies that supply our own suppliers.

Specifically, the audits took place in:

- Spain: Two audits of direct suppliers
- Morocco: One audit of a subcontractor
- China: Two audits, both of subcontractor companies
- Peru: Five audits of direct suppliers

To select the companies to be audited, we took into account the goods or services that these suppliers and contractors provide, focusing on those with a higher level of risk: Supply of work clothes, supply of footwear, cleaning companies, security services, service station maintenance services, infrastructure services and construction of exploration and production platforms.

A technical instruction document is currently being drafted, which will be completed in 2012, to define the action to be taken in the event that breaches regarding ethics or human rights are detected among our suppliers.

### **Performance assessment**

Supplier performance assessment is the process of systematic and documented evaluation of the most significant aspects of the relationship between our suppliers and Repsol. Its goals are to:

- Establish a benchmark that allows for continual improvement and decision-making with the greatest possible objectivity

- Serve as a criterion for maintaining and modifying the given rating of suppliers or contractors
- Select suppliers to take part in calls for tender.

All suppliers in areas of high criticality are obliged to undergo at least one annual performance assessment.

It is essential to carry out supplier assessments where suppliers affect:

- Quality: Functional aspects and/or the performance of the goods or service
- Management: Operational and commercial aspects of the supplier and aspects relating to social responsibility.
- Security: Of people or goods
- Environment: As defined by current legislation and regulations

<b>Assessments carried out</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Suppliers of goods	375	132	615
Service contractors	931	1,324	1,281
<b>Total</b>	<b>1,306</b>	<b>1,456</b>	<b>1,896</b>

In the 2011 policy review, the possibility of assessing aspects of social responsibility, including issues relating to ethics and human rights, was included as a criterion for performance assessment. In 2012, more emphasis will be placed on their inclusion in practice.

Measures to resolve the situation are established according to the gravity and frequency of any non-compliance detected, and formal warnings are given. If the situation continues, the contracts are revoked or decisions are taken not to renew them. In 2011, seven contracts were rescinded due to supplier non-compliance.

### **Managing failure to comply**

Through the rating audits and assessments, it is possible to identify suppliers' failures to comply which affect the performance of their activities. The ultimate aim is that, once these issues have been identified, the suppliers will improve their processes within a set period of time.

The most commonly detected breaches during the rating audits are:

- Insufficient documentary support for management systems
- Lack of evidence of guidelines or support to ensure the company's commitment to corporate social responsibility
- Lack of documentation pertaining to the company's general zero-tolerance policy on corruption. The procedures for applying this policy may not have been formalized or are not reviewed periodically to maintain their effectiveness or adapt them to the present situation

- Failure of the anti-corruption policy to explicitly establish employees' obligation to report potential violations of the policy
- Lack of a system or tool for complaints whereby employees can report violations of their working rights or cases of corruption or bribery
- Lack of a procedure established to assess and select suppliers/partners that includes ethical, environmental and human rights standards similar to those of the company.

There were no instances in the suppliers we audited of practices involving forced or child labor, as defined the minimum working age established by national and international law. Neither did we detect instances of discrimination on the basis of gender, race, color, religion or other reasons.

## Local purchasing and contracts

*About 89% of our provisioning was carried out through local suppliers.*

### Country of origin of our suppliers

In 2011, we worked with 27,758 suppliers from 85 countries.

Country of origin of the supplier or contractor	Number of suppliers and contractors
Spain	10,305
Argentina	6,179
Algeria	137
Andorra	1
Aruba	1
Australia	23
Austria	11
Bahamas	2
Bahrain	1
Barbados	4
Belgium	75
Bolivia	369
Brazil	1,069
Canada	316
Cayman Islands	1
Chile	11
China	12
Costa Rica	3
Cuba	62
Colombia	212
Cyprus	3
Czech Republic	5
Denmark	22

Dutch Antilles	1
Ecuador	1,091
Egypt	3
Equatorial Guinea	1
Finland	4
France	223
Germany	249
Greece	1
Guyana	33
Holland	8
Honduras	1
Hong Kong	5
India	6
Indonesia	9
Iran	1
Iraq	1
Ireland	19
Israel	4
Italy	118
Japan	11
Jordan	3
Libya	72
Luxembourg	7
Malaysia	4
Malta	5
Marshall Islands	2
Mauritania	1
Mauritius	1
Mexico	204
Morocco	4
Netherlands	133
Nicaragua	1
North Korea	1
Norway	92
Oman	2
Panama	9
Paraguay	2
Peru	1,774
Poland	1
Portugal	2,184
Puerto Rico	1

Qatar	2
Russian Federation	7
Singapore	9
Slovenia	1
South Korea	4
Sweden	12
Switzerland	63
South Africa	2
Surinam	1
Taiwan	3
Thailand	2
Trinidad & Tobago	368
Tunisia	6
Turkey	6
United Arab Emirates	14
United Kingdom	517
United States	1,173
Uruguay	16
Venezuela	433
Vietnam	1
Virgin Islands	2
<b>Overall total</b>	<b>27,758</b>

Repsol spent approximately €8,531 million on purchasing and contracts in 2011. Approximately 89% of this was carried out through local suppliers.

<b>Evolution of purchasing and contracts</b>			
€ Million	<b>2009</b>	<b>2010</b>	<b>2011</b>
Total purchases	6,251	7,565	9,591
Total suppliers	24,005	24,077	27,758
<b>Local purchasing</b>	<b>5,324</b>	<b>6,461</b>	<b>8,531</b>
<b>% of total</b>	<b>85.17%</b>	<b>85.41%</b>	<b>88.95%</b>

The total number of suppliers rose by 15.3% compared to 2010, largely due to the rise in the number of suppliers in countries like Spain, Argentina, Ecuador, the United States and Portugal. In this period, we needed a greater number of suppliers to be able to cope with the different projects that the company has under way, the programs on hold at some of our industrial complexes and a marked increase in exploration activity.

<b>Purchasing and contracts in 2011<sup>100</sup></b>			
<b>(€ million)</b>			
<b>Country</b>	<b>Total</b>	<b>Local</b>	<b>% purchases from local suppliers</b>
Spain	3,360.2	2,944.4	87.62%
Argentina	4,364.1	4,109.6	94.17%
Algeria	34.2	13.4	39.12%
Bolivia	196.6	179.3	91.17%
Brazil	439.9	312.1	70.94%
Canada	35.2	34.4	94.48%
Colombia	6.57	6.55	99.74%
Cuba	23.7	1.2	4.86%
Ecuador	162.8	153.5	94.27%
USA.	78.2	77.2	98.67%
France	5.69	5.66	99.61%
Guiana	23.7	3.2	13.57%
Indonesia	0.1	0.1	100%
Japan	0.004	0.004	100%
Libya	7.4	5.9	79.52%
Morocco	54.0	3.4	6.35%
Mexico	9.2	9.0	97.35%
Norway	18.8	17.9	95.17%
Peru	299.4	271.8	90.77%
Portugal	341.9	270.4	79.08
Trinidad and Tobago	95.1	80.4	84.52%
Venezuela	34.3	31.9	92.99%
<b>Total</b>	<b>9,591</b>	<b>8,531</b>	<b>88.95%</b>

In 2011 we increased the number of countries in which we purchase locally, with our entry into Guiana, Indonesia and Japan.

We do not always have access to local suppliers capable of providing specialist services or materials. On such occasions, we must resort to international suppliers.

#### **Purchasing and contracts through special employment centers**

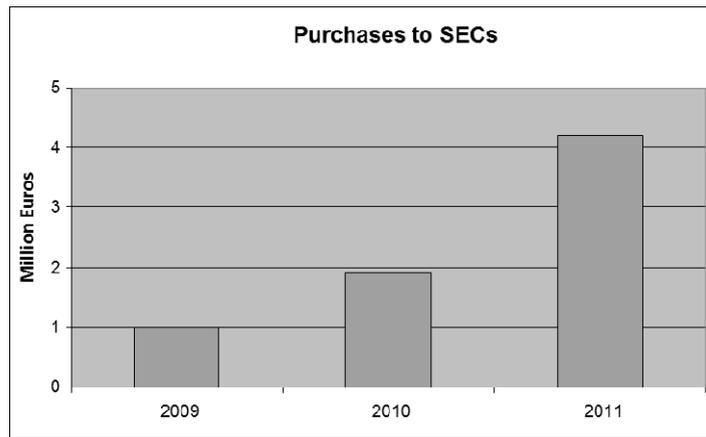
As well as having disabled workers on its staff, Repsol has made a commitment to boost job creation for people with disabilities, by purchasing goods and services from companies deemed Special Employment Centers (SECs).

In Spain, these centers are intended to be a means of integrating people with disabilities into the labor market. These are companies in which at least 70% of the workforce are people with a disability that reduces their capacity for work by at least 33%.

Repsol supports centers that promote employment for people with disabilities by awarding them contracts for the provision of goods and services that do not fall within critical areas and when they do not exceed certain amounts. We also hold calls for tender which we weight in favor of SECs, to encourage the integration of people with disabilities into the labor market, even when this might imply an increase in the differential cost of the goods or service.

<b>Euros</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Purchases to SECs</b>	1,000,000	1,900,000	4,200,000

<sup>100</sup> The purchasing total refers exclusively to purchases made by the Department of Purchasing and Contracts.



In 2011, Repsol made purchases from a total of 51 special employment centers in Spain, at a value of €4.2 million. The goods and services they provided were promotional articles, IT consumables, office goods, document printing, gardening, cleaning, portering and catering services and occupational safety material.

# Our customers

## Our marketing activities

Through the liquefied petroleum gas (LPG) business units<sup>101</sup>, Marketing<sup>102</sup> and Chemicals, we make a wide range of products and services available to our customers, which we market either directly or through distributors and service stations.

We are one of the most important LPG retail distribution companies in the world and the biggest in Spain and Latin America. In 2011, we were present in nine countries in Europe and Latin America.

We produce a wide variety of chemical products, which we market in more than 90 countries. We are the market leader on the Iberian Peninsula, where we have three main production centers: Puertollano and Tarragona (Spain) and Sines (Portugal), as well as other centers with a lower output, such as those in Gajano (Cantabria, Spain), Monzón (Huesca, Spain) and Lantaron (Álava, Spain).

## Customer satisfaction

Our customer satisfaction rate has improved in all countries and businesses where we have commercial activity.

We have various mechanisms in place for measuring our customers' level of satisfaction and gathering their opinions, as well as maintaining contact with customers, informing them of the products that are available and their characteristics and attending to their queries and complaints. We have developed channels of various kinds, such as face-to-face service and sales points, traveling salespeople, mobile offices, dedicated telephone numbers, web pages and emails to make it easier to access information about the available products and services.

We conduct satisfaction surveys to learn the trends in customer satisfaction with the services received and products sold. This allows the weakest points in the company–customer relationship to be detected and improvement measures taken.

Since our products and business areas are very diverse, we cannot use a global index to measure the satisfaction levels of the company's customers. The methodologies and procedures applied in each business and country are different.

Customer satisfaction surveys are carried out at least every two years, although there may be exceptions depending on the country and the business. These surveys are conducted by outside companies. In the case of Spain, Argentina and Portugal, we use the Customer Satisfaction Index (CSI), which is based on a scale of one to five. In Ecuador and Peru, a percentage scale is used. In assessing the satisfaction of the chemicals unit, we use the overall service level.

After analyzing past complaints, we took the following measures in 2011 to improve customer satisfaction:

- Increased collaboration between the commercial logistics departments and customer care services to optimize and improve the frequency of routes and supplies
- Provided continual training of telephone operators in the process of handling orders

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<sup>101</sup> The LPG area markets bottled, piped and bulk liquid petroleum gases, primarily butane and propane.

<sup>102</sup> The Marketing area includes businesses such as the service stations, aviation, lubricants and specialities and direct fuel sales.

- Reviewed recurring incidents regarding orders, to identify ways of improving the process
- Provided a training program aimed at improving customer service.

These corrective measures have had a positive effect, as demonstrated by the generally improved customer satisfaction index in all our countries and businesses.

The customer satisfaction indices (CSI) for Service Stations, LPG and Chemicals are shown below:

<b>CSI for service station customers</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Spain	4.02	NA	3.91
Peru	83%	76%	82%
Portugal	3.91	3.95	3.99

<b>CSI for LPG customers</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Spain</b>			
Private customers bulk	NA	4.15	NA
Companies bulk	NA	4.11	NA
Piped	NA	3.95	NA
Bottled	4.18	NA	NA
<b>Argentina</b>			
Bulk	4.3	4.4	NA
<b>Ecuador</b>			
Bulk	95.07%	94.43%	97.95%
Bottled	84%	88%	90%
<b>Portugal</b>			
Piped	3.77	NA	NA
Bottled	4.21	NA	NA
Bulk	3.99	NA	NA
<b>Peru</b>			
Bulk	NA	91%	76%
Bottled	NA	NA	80%

The satisfaction index for bulk LPG in Peru was 91% in 2010. We obtained that result through a satisfaction survey performed on a sample of 50 customers and it is therefore not comparable to the 2011 index, which applies to all customers.

<b>Overall Chemicals service level</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Overall service level	89.5%	86.9%	88.1%

#### **Customer service complaints**

Customer service is backed up by systems for dealing with complaints, which usually relate to hiring, invoicing, payments, supply quality as well as service received.

All the complaints we receive from our customers are analyzed so that we can implement corrective actions. In 2011 we received 17% fewer complaints from our customers.

<b>Number of complaints to Marketing</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Spain and Portugal	34,865	28,411	26,948
Peru	210	270	419
<b>Total</b>	<b>35,075</b>	<b>28,681</b>	<b>27,367</b>

Among the reasons for the rise in the number of complaints in Peru is the opening of new service stations.

<b>Number of complaints in LPG<sup>103</sup></b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Spain	53,875	51,367	58,803
Argentina	2,276	2,619	2,396
Chile	NA	113,801	97,970
Ecuador	1,211	15,658	9,958
Peru	NA	412,389	321,943
Portugal	105	48	76
<b>Total</b>	<b>57,467</b>	<b>595,882</b>	<b>491,146</b>

The rise in the number of complaints in Spain is due to an increase in the final cost that piped gas customers in the Basque Country were billed, arising from the convergence of factors such as the rising price of the product and the weather. To help these customers, we took specific and personalized action to facilitate communication, we set up a free telephone helpline and a service to arrange payment in installments.

<b>Number of complaints in Chemicals</b>		
<b>2009</b>	<b>2010</b>	<b>2011</b>
696	663	595

During the year there was no record of incidents involving leaks, theft or loss of clients' personal data.

## Customer health and safety

We are committed to developing safer products and encouraging our clients to consume our products in a sustainable way.

During the course of 2011, the product safety group, together with the departments for security and the environment in our different businesses, developed a new strategic plan for the safe management of products. The aim of the plan is to manage the development and marketing of Repsol's products, minimizing the impact on health and the environment throughout the supply chain, applying a more global vision to activities relating to safety and standardizing the processes in the companies' different lines of business.

This plan for the safe management of products encompasses the assessment, control and communication of risks to health, safety and the environment of the products that we market. This is done by analyzing the danger posed by the raw materials and the end products, by preparing safety sheets as a means of communication throughout the supply chain, and by preparing registration reports in line with the European Union regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH).

There were no incidents of non-compliance with respect to product health, safety or labeling in 2011, resulting in any sanction, fine or warning.

<sup>103</sup> The data for 2009 do not include complaints in Chile and Peru.

The planning, production, transport and distribution of our products are fundamental to the development of a country's economy and improving the wellbeing of its citizens. Consequently, there is a high level of regulation and control by government bodies, to ensure that these activities are carried out under suitable conditions and take account of their consequences for public health and safety.

For the production phase, we have a comprehensive body of policies on labor and the environment to ensure that risks to people's health and safety are kept within the regulated limits.

Likewise, in the transport and distribution phases we have a wide range of policies regulating these activities, so that we apply the human, material and economic resources necessary to minimize the risks arising from this phase in the cycle.

In the product-use phase, the most effective measures for protecting public health and safety are believed to be those that emphasize consumer information and training. Hence, we have mechanisms for informing and training the public, via the website, by enclosing information with bills, or through information or training campaigns for various groups. Moreover, customers are offered products and services that provide additional safety in the home and at work. The LPG business draws up an annual plan focused on improving safety in customers' facilities, the first of its kind in the sector.

We are committed to ensuring that during every phase of our products' life cycle, we respect the current legislation relating to health and safety matters for our customers. We take the necessary measures to achieve this and we promote the appropriate training of our customers in this matter.

## Encouraging responsible consumption

With regard to consumer information, Repsol complies with current legislation. In every country where we operate, we provide the additional information thought to help the consumer use our products in a rational, efficient and safe manner.

We attach particular importance to information related to energy efficiency and protecting the environment, which we provide enclosed with the customer's bill, on the website or by email, as well as training and information activities with the general public and with consumer groups, business groups and other institutions.

Repsol and Iberia conducted the first Spanish flight powered by biofuel. This project, the first of its kind in the Spanish airline sector, used biofuels certified by the Repsol Technology Center.

## Responsible advertising

We are a member of associations that promote mechanisms and voluntary codes that safeguard transparency and truthfulness in advertising and we periodically review our compliance with these codes.

Some of these codes are:

- Code of conduct of the Spanish advertising industry
- Autocontrol advertising code of conduct
- Code for self-regulation regarding environmental claims in marketing communications
- E-commerce and interactive advertising ethical code.

In 2011, there was a complaint about an advert put out by Repsol which referred to the "*Selección de Productos con Origen*" (selection of productions with origin), products sold in

Repsol's network of service stations in Spain, as it was thought that it could mislead the consumer with regard to the origin of the products.

The company has introduced corrective measures to avoid such possible confusion and went on to change the name to "*Selección de Productos*" (selection of products).

Similarly, in 2011 disciplinary proceedings were brought against the company for using the statement "Free fuel for life", when the duration was 25 years.

#### **Accessible service stations**

In Spain in 2011, we opened the first service station in the world certified by BREEAM, the leading international method for certifying the sustainability of buildings. The station was built to eco-architecture parameters using multiple recycled materials and is energy efficient. It also has the AENOR universal accessibility certification, as do two other directly managed service stations in Spain.

True to our commitment to society, in 2011 we carried out an initiative to make more than 500 of our service stations accessible; they form part of our network of directly managed service stations in Spain. Thanks to this project, Repsol will have the biggest network of more accessible points of sale in Spain and one of the largest in Europe.

More information on the methodologies used to calculate customer satisfaction, our actions and initiatives to encourage responsible use, safety sheets, and consumer protection and responsible advertising can be found at [clientes.repsol.com](http://clientes.repsol.com)

## About this report

This Corporate Responsibility Report relates to the **2011 financial year**. Its main aim is to provide complete, reliable and high-quality information about corporate responsibility at Repsol. Its content is supplemented by the information at [repsol.com](http://repsol.com) in the section on corporate responsibility and by the rest of the corporate information prepared and published by Repsol in 2011. This includes the Consolidated Annual Accounts Report, the Management Report, which provides more in-depth information on the company's financial management, and the Annual Corporate Governance Report, which focuses on information relating to the functioning of the company's governing bodies.

Repsol publishes this report on a yearly basis and it has been written in accordance with the **Global Reporting Initiative** Sustainability Reporting Guidelines (version G3), to an **A+ level of application**.

This report also meets the criteria of the latest version of the AA1000 standard and, consequently, the principles of inclusivity, materiality and capacity for response of the **AA1000 2008 APS** standard. It has also been verified under the **AA1000 2008 AS** standard.

Moreover, in drawing it up, we took account of the document "*Transparencia, comunicación y standards de los informes y memorias de sostenibilidad*" (transparency, communication and standards in sustainability reports and notes) drawn up by the Spanish State Council for Corporate Social Responsibility (CERSE), as we did the reports of certain organizations that analyze company reports and practices, such as the Spanish Corporate Social Responsibility Observatory and the Social Responsibility Observatory of the Unión General de Trabajadores (UGT) trade union. It is also worth highlighting the participation of the main unions within the company in every phase of drafting the report.

### Inclusivity

The company, its corporate divisions and business units have identified their stakeholders, and channels and mechanisms for dialog and relations are in place. The processes and tools for dialog with stakeholders are detailed in the section "Our relationships in this report".

### Materiality

In order to produce this corporate responsibility report, a materiality study was carried out based on the recommendations of the AA1000 standard. The end purpose of this study was to ensure that the corporate responsibility report focused on the most relevant issues given the specific characteristics of Repsol, its businesses, its stakeholders and our sector. The material issues resulting from the study carried out for this year have not undergone any substantial modifications with respect to those identified in previous years.

### Responsiveness

This report aims to respond to the issues identified as material for the company by means of the dialog processes established with its stakeholders, and to provide an account of its 2011 performance in each of these areas.

### **Scope of the report**

This report includes information about Repsol's activities in the different countries in which it is present. In most cases, when we name Repsol we are referring to the Repsol YPF Group. When this is not the case, the scope of the information reported is specified and clarified.

The data underpinning the environmental information comes from subsidiary companies in which we have a majority holding and/or operating responsibility (control) and where we

record 100% of emissions into the air, ground and water. In the case of greenhouse gases, we also include information on emissions from the company's activities in proportion to our holding in each of these companies, as well as from indirect emissions associated with energy purchased from third parties and other relevant indirect emissions.

On safety matters, we include data for 100% of employees at subsidiary companies in which we have a majority holding and/or operating responsibility (control). For contractor employees we include any activity under a direct contract with Repsol in excess of one year.

The information on Repsol employees relates to the companies that Repsol directly manages where it has operating responsibility (control).

Social investment refers to all the activities carried out by Repsol and its three foundations (Repsol Foundation, YPF Foundation and Repsol YPF Ecuador Foundation) that involve making contributions to the community or society in locations where we conduct our activities. Information on social investment has been provided for 100% of the operations in which we have operating control.

This report includes quantitative details from previous years. In those cases where the way in which the information is calculated or its scope has undergone any modification with respect to previous years, the improvement introduced has been specified and the rationale explained.

### **Verification of the report**

The data in this report has been reviewed and verified by Deloitte, to ensure its reliability.

### **Dissemination**

An electronic version of this report can be sent by email to interested parties, and it can also be provided on a USB drive in Spanish and English. This report is also available at [www.repsol.com](http://www.repsol.com), where the document can be downloaded in PDF format.

### **Enquiries and additional information**

Readers of this report may send their questions, enquiries or requests for additional information through the "Contact" and "Repsol listens to you" sections on [www.repsol.com](http://www.repsol.com).

### **Materiality study**

To prepare the Corporate Responsibility Annual Report, and in order to spotlight those issues of most relevance given Repsol's characteristics and peculiarities, we carried out a materiality study.

This is a study that aims to identify and define the material issues of fundamental importance to stakeholders and therefore to Repsol. It is done applying a methodology that can be replicated year-on-year and that allows us to obtain a higher degree of precision regarding the issues we have to take into account.

The process of identification was carried out using different approaches and using methods that correspond to the AA1000 standard.

This study included an initial phase during which the relevant issues were identified, taking as a starting point, among others, the analysis and review of the environmental, social and governance (ESG) criteria of our institutional investors, the requirements of relevant international organizations in the field of sustainability, and the analysis of press articles related to the sector.

The issues identified formed an initial definition of the material issues. These were verified by means of in-depth interviews with opinion leaders on ethical, social and environmental

matters, identified by analyzing the press and by other means of selection identified by Repsol.

The aim of the interviews was to verify the subjects identified, going into the issues, challenges and trends in greater depth, as well as to find out how they perceive Repsol. All of the interviews were conducted using the same script:

- Challenges in the area of knowledge of the expert interviewed
- Trends
- Perception of Repsol and of the best business practice for each issue

The aim of this study was to determine the contribution that the oil and gas industry makes to sustainable development, focusing on those areas where the sector's contribution is most critical and where Repsol must place greatest emphasis.

The information included in the Corporate Responsibility Annual Report 2011 is structured in response to this analysis.



## Statement GRI Application Level Check

GRI hereby states that **Repsol YPF** has presented its report "Corporate Responsibility Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, March 13th 2012

A handwritten signature in blue ink, appearing to be "Nelmara Arbex", is written over a faint, large watermark of the GRI globe logo.

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because Repsol YPF has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on March 8th 2012. GRI explicitly excludes the statement being applied to any later changes to such material.