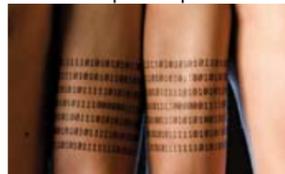


Ethical behaviour in our relations

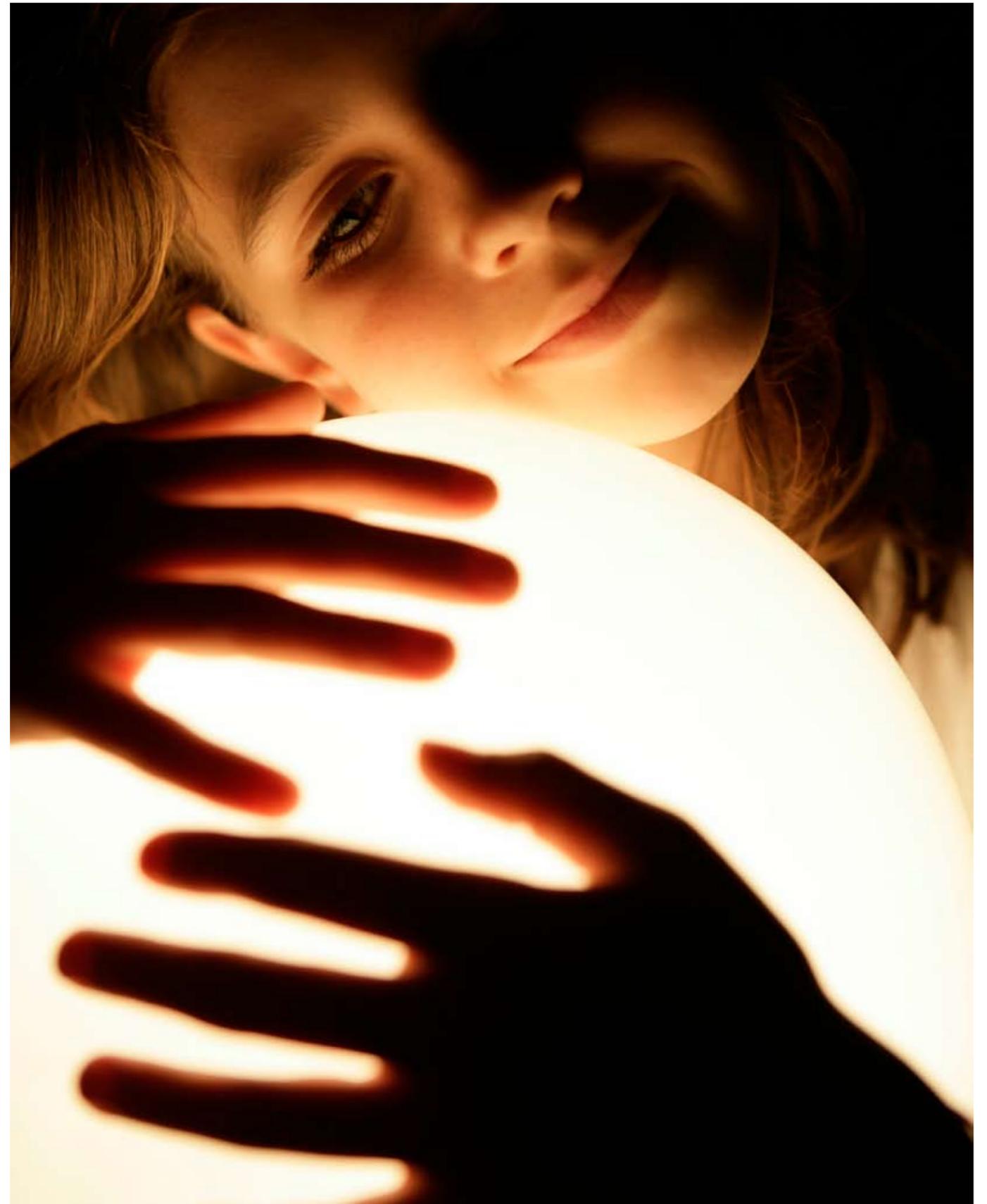


The oil and gas industry is not free from ethical, environmental and social risks. Integrated management of Corporate Responsibility provides some tools to minimize these risks.

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



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



HOW WE WORK

Ethics, one of our greatest values



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

Among the competencies of the Board of Director's Strategy, Investment,

and Corporate Social Responsibility Committee is the function of knowing and guiding the policy, objectives, and guidelines of Repsol YPF in relation to Corporate Responsibility and of informing the Board of Directors thereof.

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

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



Reptrak: Measuring and managing reputation

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

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



The 7 dimensions:

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

Our objectives

Planned initiatives	2008 progress	2009 objectives
Design community relation tools.	Policy of Community Relations and of Relations with Indigenous Communities approved. Preparation of drafts for the company's in-house standards.	Approve the Action Plan for Relations with Indigenous Communities. Approve updating of standards for the Upstream division: hazard identification (HAZID) and guide for environmental, social and health impact assessments. (ESHIA).
Improve communications with the community.	Create a Public Advisory Panel at the Puertollano Industrial Complex.	Assess the initiative and study in order to implement it at other company sites.
Develop collaborative working platform and reporting.	Create a practice community for corporate responsibility issues. Adapt the body of practices in Safety and the Environment on issues pertaining to community relations to share best practices and the actions carried out by each unit.	Improve current tools to be able to share practices within and outside the company. Align the manuals of the London Benchmarking Group (LBG) to the company.

INTERNAL OPINION

Luis Suárez de Lezo Mantilla

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

Ethics and integrity in our day-to-day work

We must be aware, in our day-to-day work, that a company such as Repsol YPF is a factor for change and exerts a social influence in the areas and communities where it operates. Accordingly, all of us who are part of the company must be mindful of any situation that may jeopardise our compliance with laws, our respect with regards to the rights or the welfare of third parties, and that our company must be honest and inspire trust so that we may play an active role in preventing such situation.

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

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

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

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

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

EXTERNAL OPINION

Jonas Moberg

Head of Secretariat
Extractive Industries Transparency Initiative

Transparency and trust are essential for creating sustainable businesses

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

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

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

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

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

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

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

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

Our Ethics and Conduct Regulation

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

Ethics Committee

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

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

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

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

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

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

Internal procedures of the Ethics Committee

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

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

Channels for communicating with the Committee

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

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

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

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

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

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

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



Repsol YPF's Refinery at Tarragona (Spain).

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

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

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

[The main issues reported to date relate to commercial claims (30.2%), labour situations (24.5%), contractual relations

with suppliers and contractors (17%), and queries and requests for information (13.2%). HR4, HR6, HR7]

Dissemination of the Ethics and Conduct Regulation

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

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

Information reported to the Audit and Control Committee

The Repsol YPF Audit and Control Committee meeting held on 25 September 2009, the Chairman of the Ethics Committee reported several matters, including the current composition

of the Committee; the channels for communicating with the Committee; the meetings held; the Committee Regulations; other matters in relation to its internal procedures; the information campaigns carried out; and the main issues that had been reported to the Committee.

Internal Control System

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

The principal objective of these controls is to ensure that:

- The Ethics and Conduct Regulation is formally approved by the corresponding corporate bodies and that it is duly updated, published, and disseminated.

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

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

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

Reputational and ethical risks

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

Five types of risks are defined in our Risk Map:

- Market risks.
- Economic-financial risks.
- Strategic risks and those relating to the economic scenario.
- Operational risks.
- Regulatory and compliance risks.

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

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

Reputational risks

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

The corresponding corporate areas and business units are responsible for managing these risks. Their task is to minimize such risks by implementing measures and controls



Person in charge of directing the remote control submarine that checks the drilling pipe in the Stella Drillmax.



with regard to safety, the environment, or relations with the communities.

We have adopted Reprtrak, a tool for monitoring and managing our reputation. This tool has become an international reference standard. The model defines a level of relevance and priority for each of the analysed attributes (product and service offering, citizenship, innovation, leadership, and finance) and for each stakeholder, also providing information on the sector.

Ethics and conduct related risks

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

Oversight of these risks is entrusted to several bodies:

- Ethics Committee: manages the oversight system and compliance with the Ethics and Conduct Regulation.
- Audit and Control Committee: supervises the process financial information preparation process, the integrity thereof, and internal audit activity; it examines ethics and conduct regulation projects; decides on the investigations or measures to be adopted with regard to reports received through the communication channel

designed for such purposes; and oversees compliance and enforcement of conduct related regulations in securities markets.

- The Appointments and Remuneration Committee: reports to the Board of Directors on the Directors' compliance with the obligations stipulated in the Articles of Incorporation and in the Board of Directors Regulations.

• Strategy, Investment, and Corporate Social Responsibility Committee: its functions include knowing and guiding the Corporate Responsibility policy, objectives, and guidelines.

- Corporate Reputation Committee: is in charge of preparing and monitoring compliance of the Corporate Responsibility Master Plan and the Human Rights policy.

The governing bodies determine the level of uncertainty and risk that the company can assume to reach the outlined objectives and to generate value for society in general and our stakeholders in particular.

Risks of fraud in financial reporting

[To the purpose of creating and maintaining a culture of honesty and ethics in the company, the Repsol YPF Corporate Audit and Control Division prevents bad corruption and bribery practices affecting financial reporting by means of an internal control system.

In accordance with the provisions of Section 404 of the Sarbanes-Oxley Act, the company has developed a series of documents that

comprise the Internal Control System for the Company's Financial Reporting:

- Financial Reporting Fraud Management Manual.
- Inventory of Financial Reporting risks.
- Financial Reporting Internal Control Manual.

As part of the regulatory framework, the company has developed internal standards for Financial Reporting Fraud Risk. [SO2\]](#) Management to assess and control fraud risks. The strategy includes information and communication channels on anti-fraud programmes and controls, the effectiveness of which is subject to oversight. In certain cases, employees receive training in relation to these communication channels, for example, written manuals and spaces in the Repsolnet corporate intranet.

As regards the Internal Audit function, the Corporate Audit and Control Division checks if there is a risk of fraud in each of the projects of the audited units.

[The company also has an inventory of controls to minimise the risk of fraud in the Financial Reporting internal Control System. [SO2\]](#)

Lastly, the On-line Audit has designed warning mechanisms to detect any possible fraud or atypical situations.



We promote microloan programs in Ecuador.



We are committed to respect for the indigenous peoples rights.

Human Rights

We conduct activities in places where the protection of Human Rights remains precarious. We have approved specific corporate policies to contribute to safeguarding these rights.

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

We also work to extend these principles to our suppliers and contractors. In accordance with the general terms and conditions for procurement and contracting, companies awarded contracts in any part of the

world must comply with fundamental ILO conventions and other safety and the environment related aspects. Failure to comply with any of these commitments is considered grounds for rescinding the contract.

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

Human Rights management involves several issues that affect different stakeholders and

corporate areas. This requires coordinated actions in areas such as human resources, external relations, legal services, and the specific areas in the different business units.

We are also involved in several social responsibility working groups of entities such as the International Petroleum Industry Environmental Conservation Association (IPIECA) or the Asociación Regional de Empresas de Petróleo y Gas Natural de América Latina y el Caribe (ARPEL) (Regional Association of Oil and Natural Gas Companies of Latin America and the Caribbean). The company participated actively in the specific Human Rights IPIECA group, whose last publication was "Human Rights and Ethics in the Oil and Gas Industry".

Relations with indigenous communities

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

We are aware of the impacts, positive and negative, and of the opportunities that we can create so that indigenous communities share in and benefit from the activity related

to the company's projects, which can contribute to fulfilling their aspirations for economic and social development.

In particular, we recognise:

- The differential character of indigenous communities, the duty of States to respect and promote their human rights and fundamental liberties and, particularly, their organizational, economic, and social structures.
- The right to maintain their customs and social practices.
- The right to own property and the land that they have occupied traditionally as recognised by applicable current legal regulations.

- The right to free, prior, and informed consultation, in good faith, and in a manner appropriate to the circumstances, on the projects affecting them in order to reach agreements or secure their consent.

- The right to participate, whenever possible, in the benefits stemming from the production of oil and gas resources in their land.

- The right to fair compensation for any damages that they may suffer as a result of these activities.

- The right to choose their development model in accordance with the legal framework in force in each country.



Corporate Security

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

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

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

We strive to protect people from all external threats, particularly expatriates exposed to country risk. We have a modern, dynamic,

coordinated, and efficient Safety Unit with duly trained, motivated, and informed heads of Corporate Security in each country. This unit is involved in decisions that require their advice, and acts through standardised operating and coordination procedures.

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

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

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

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

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

- 1) Definition of risk, based on the threats stemming from anti-social activities.
- 2) Analysis of the risk by applying the following criterion of magnitude

(function, replacement, depth and extension criterion) and probability (aggression and vulnerability criterion).

3) Risk assessment: quantification by applying formulas to weigh the aforementioned criteria.

4) Classification of risk: the analysis of the above-mentioned criteria delivers a value which we call "Risk Estimate" that allows us to rate the risk according to a scale that ranges from "very low" to "high" based on a set of pre-defined values.

Based on this analysis, the risk in most of our facilities is medium-low. This is an acceptable result in comparison with the average in the industry.

Safety thresholds have been established for the installation and, in the event that safety falls below this threshold, operations will be suspended.

Human Rights training

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

In addition, the company's in-house training

programmes teach private security teams some essential notions on human rights: its historical development; legal categories; the constitutional principles underpinning countries governed by the rule of law; the constitutional functioning of human rights versus other subjective rights; and how important it is for each individual to live up to his/her responsibilities.

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

Critical energy infrastructures

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

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

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

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

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

Participation in working groups

At the corporate level, we are involved in various working groups to improve security management, including the following:

- Russia/CIS Oil & Gas Security Forum: a forum comprising security supervisors of energy companies operating in Russia and in former Soviet Union countries.
- Oil and Gas Producers Security Committee, which is made up of the heads of security of companies in the industry.
- Europol: to exchange experiences on marketing and fraudulent forms of payment.
- Oil and Gas IQ Limited: annual meetings with those in charge of security at companies operating in the Caspian Sea region.

Innovative approaches

Some of the places where we operate are more sensitive than others in terms of security problems. In these cases, we implement innovative approaches to reduce risks and to secure the collaboration of the communities in the areas close to the operations.

In Ecuador, we collaborate with local indigenous communities in security related matters. Members of these communities jointly patrol the rivers with us, contributing their valuable knowledge of the region and their experience in security alert situations.

In Bolivia, we have established agreements with representatives of local indigenous communities to be able to count on their support for security at the control posts situated at the entrance of Margarita field facilities.

In Colombia, we were able to reduce security risks in particularly conflictive areas thanks to the agreements with local communities.

Safe use of firearms

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

Integrity and transparency in our relations

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

Shareholders and investors

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

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

Relations with governments and society

The company declares its political neutrality to public administrations in the host countries where we operate.

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

Levied taxes (million euro)	
Spain	8,117
Argentina	3,348
Rest of the world	2,936

Income Tax expense (millones de euros)	
Spain	869
Argentina	542
Rest of the world	529

As part of our commitment to transparency, Repsol YPF is a member of the Extractive Industries Transparency Initiative (EITI), providing financial support and the backing of its professionals to promote transparency in tax and royalty payments.

An initiative to support transparency

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

EITI is a multilateral and voluntary initiative involving governments, international organizations, state and private companies,

investors, and social agents which form its working groups.

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

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

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

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

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

Diversity and work-life balance

Our commitment to integrity and transparency is underscored in our business model which recognises the contribution of the company's employees, respects their diversity, bans any discriminatory practices, and provides equal opportunities. This philosophy reinforces the employee-company relationship, and their pride in being part of the company, in addition to improving our reputation in the community and markets. This represents a great competitive advantage since it provides new points of view in the decision-making process and in our handling of new social challenges.

We encourage the work-life balance since this enhances enormously the quality of life of our employees.

People from more than 20 nationalities work in our drilling rigs.

Further information on human resources is included in the section "Our people, our competitive advantage".

Our workers' rights

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

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

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

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

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

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

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

In addition, in 2008 we reached several salary agreements in Argentina with trade



union representatives and participated in the negotiations for the collective bargaining agreement applicable to contractors in the exploration and production division.

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

Repsol YPF and the trade unions of the countries comprising the Coordinator of the Trade Union Network (which includes countries where Repsol YPF has a very active presence in Latin America - Argentina, Bolivia, Brazil, Colombia, Ecuador, Peru, Trinidad and Tobago, and Venezuela - plus the CC.OO. and U.G.T. trade unions in Spain) signed a Protocol Agreement in the last quarter of 2008. In this Protocol, the company recognises the Trade Union Network as the point-of-contact for exchanging information and for considering the issues that the parties to the agreement deem fit. It facilitates rapport and coordination among the trade unions and their members on issues and problems affecting all Repsol YPF employees. [LA5](#), [HR5](#)

Main steps forward in labour practices

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

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

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

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

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

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

Of the 178 direct employees, 12% are foreigners.

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

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

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

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



Results of the Dow Jones Sustainability Index evaluation in 2008

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

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

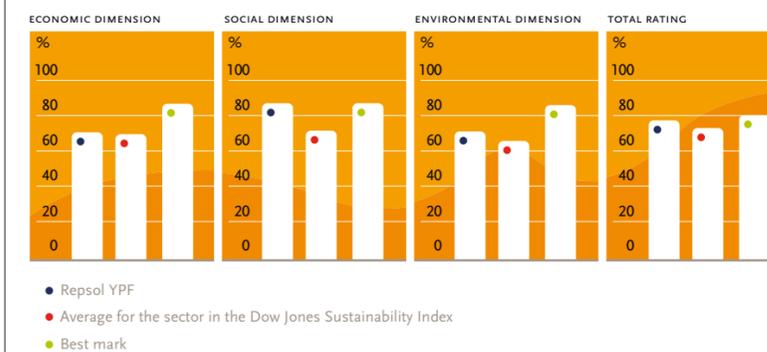
In the economic aspect, the company is one of the most transparent in the sector, obtaining the highest rating in transparency and in customer relations. In addition, the company increased its rating significantly in Exploration and Production. Our rating in this respect is above the average for the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

Jones Sustainability Indices.

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

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

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



In the United Arab Emirates, expatriates' salaries are determined in Madrid and the salaries of Repsol Exploration Advanced Services (REAS) in Switzerland. Local employees' salaries are determined by the Dubai office.

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

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

In Venezuela, we are an active member of the Asociación Venezolana de Hidrocarburos (AVHI), participating in its Human Resources, Health, Safety, and the Environment Committee and maintain contacts with its Human Capital Committee. We are currently immersed in a process for hiring people with different capabilities. In addition, we maintain relations with the trade unions who signed the collective bargaining agreement with PdVSA Petróleo y Gas.

We extend to all contractors the obligation of complying with the provisions of the collective bargaining agreements and to join the trade unions party to the agreements.

EMPLOYEES AFFECTED BY COLLECTIVE BARGAINING AGREEMENTS BY REGION

	2007		2008	
	Total workforce	Collective Agreement	Total workforce	Collective Agreement
Spain	18,431	14,440	18,460	14,101
Argentina	13,338	6,882	11,962	6,103
Rest of Latin America	2,385	384	3,339	1,056
Rest of the world	2,546	1,651	2,540	1,318
TOTAL	36,700	23,357	36,302	22,578

Extending Corporate Responsibility to the supply chain

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

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

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

Organization and prevailing safety and environmental law.

Supplier management system

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

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

The respective supplier's technical,

corporate, financial, quality management, safety, and environmental documentation are analysed as part of this process.

There are two methods for gathering this information:

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

Calification processes in 2008	
Supplier of goods	359
Service contractor	811
Total	1,170

"Non-calificated status" in 2008	
Supplier of goods	37
Service contractor	165
Total	202

comply with the requisites of each country; one for materials and two for services.

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

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

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

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

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

- **Spain:** 77 audits of service contractors.
- **Argentina:** 539 audits, of which: 102 suppliers of goods; 330 service contractors; and 107 goods and service companies.
- **Portugal:** 25 audits of service contractors.
- **Colombia:** two audits of service contractors.
- **Trinidad and Tobago:** two audits of service contractors.
- **Venezuela:** one audit of a service contractor.
- **Peru:** one audit of a service contractor. [HR2\]](#)

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

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

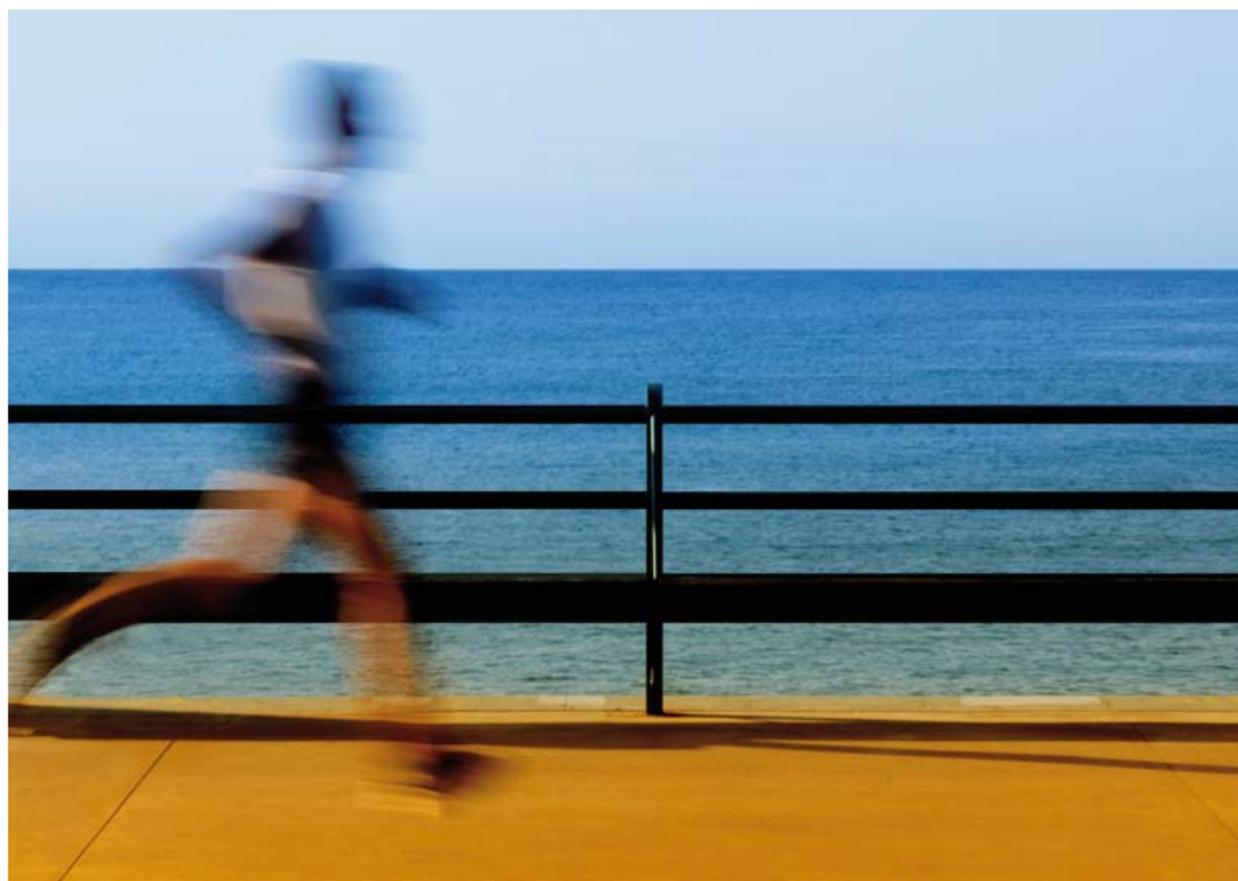
Achilles is a service for the joint management of supplier and contractor information and documentation, which

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

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

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

In 2008, we started to review the desired scope for implementing Corporate Responsibility in the Purchases and





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

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

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

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

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

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

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

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

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

Customers

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

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

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

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

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

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

Our customers can also access our Customer Service Department (CSD) and our Customer Relations Department (CRD) by clicking at the section for each product or service at repsol.com. The service includes information on the product or service, frequently asked questions, and



the possibility of submitting queries or suggestions. The reply could be received by e-mail, post, or by telephone, at our customers' choice.

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

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

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

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

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

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

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

Purchases and contracting by countries in 2008, million euro

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

Towards total accessibility

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

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

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

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

We also have a certified service station in Zaragoza where we are developing the Hortaleza Project that contemplates the construction of a service station with installed photovoltaic panels, a totally accessible store, and the removal of architectural barriers. The upgrades include pump hoses placed at a lower height, adapted handles, wider aisles, and shelves with rounded edges to make it easier to get around.