

**REPSOL
YPF**



Corporate
Responsibility
Report
2006



Repsol YPF, S.A.

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Other publications

Annual Report 2006

Annual Report on Corporate Governance 2006

Fact Book 2006

Extracción, *the Repsol YPF shareholder magazine*

Shareholder Information Office

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Cover photograph: *Nutritional Development Agreement.*
Ventanilla. Peru

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Letter from the Chairman and CEO



In Repsol YPF, we are very aware of our business' social function and our aim for the societies in which we are present, is for them to have accessible, sustainable and safe energy.

At the same time, we are conscious that the characteristics of our activities, linked to natural resources, cause great social interest. For us, to be observed by society constitutes a stimulus to work toward attaining a more sustainable business model.

*Repsol YPF assumes
the most advanced principles
and commitments
in corporate responsibility*

The World Economic Forum has projected 50% growth in world energy demand for the next twenty years. This growth outlines an important challenge to companies, whom should find formulas to address this demand as well as environmental concerns. In Repsol YPF, we are convinced that supplying energy is compatible with the protection of climate change and respect to the principles of sustainable development. This is why we are placing great effort into improving efficiency, developing cleaner fuels and minimizing the environmental impact of the processes.

In addition, our sector is confronting new challenges, such as the capacity to attract and retain talent; to build trusting relationships with local communities; protect biodiversity and maintain maximum transparency in relations with the governments of those countries in which we are present.

In order to deal with these challenges, in 2006 we worked to develop a common focus and framework in a approaching our corporate responsibility actions. The culmination of this process was the 2007-2009 Corporate Responsibility Master Plan, the implementation which will reinforce the cohesion of our activity around the ideas of transparency, commitment and social responsibility.

*In 2006, we approved
the Corporate Responsibility
Master Plan, in which
a common framework for
the company's actions
is established*

In Repsol YPF, we have assumed advanced principles and compromises in issues related to corporate responsibility. I would like to highlight our Ethics and Conduct Regulation, which encompasses the values and principles that should prevail in the behaviour of our employees, updated in 2006 to include specific compromises in issues such as combating corruption and bribery. Likewise, I would like to emphasize that in Repsol YPF, we continue to endorse the ten principles included in the United Nations Global Compact.

Furthermore, I would like to point out the importance we attach to transparency in our relations with the different host governments, which has resulted in our presence, as a founding member, in the Extractive Industries Transparency Initiative.

Repsol YPF efforts toward transparency and sustainability are widely recognized on an international level. Our company has been included in the prestigious Dow Jones Sustainability Index and the Climate Leadership Index and, respectively, is recognized as the most transparent oil company in the world and Best in class for its climate change strategy.

The present 2006 Corporate Responsibility Report reflects, in a balanced way, the company's social and environmental performance. In its production, we have followed the Global Reporting Initiative reporting framework, and we have advanced notably in the scope and depth of information offered in issues like human development, biodiversity or equal opportunities.

*Repsol YPF has been included in the Dow Jones
Sustainability Indexes and recognized as the most
transparent in its sector*

I am also especially satisfied with the adoption of a pioneering initiative in Spain, by requesting a Committee of Independent Experts to analyze the contents of our Corporate Responsibility Report. The Committee has very positively valued our involvement and transparency. For us, this proves that the path taken by our company is adequate and reinforces our motivation to continue our work with maximum transparency and responsibility.



Antonio Brufau Niubó
Chairman and CEO



Corporate responsibility at Repsol YPF

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Repsol YPF's approach to corporate responsibility

Vision and Values

“To be an international integrated oil and gas company, perceived with admiration, and focused on customer service and value creation”

Repsol YPF's actions are governed by ethics and transparency. Repsol YPF is aware that the future belongs to those who best know how to adapt themselves to the challenges it brings, who know where they wish to go and how they can get there. The future is in the hands of those who are able to imagine this future: of those who have Vision.

Repsol YPF's Vision is: “To be an international integrated oil and gas company, perceived with admiration, and focused on customer service and value creation.”

This vision defines Repsol YPF's trademark values and becomes a means of motivation and drive for the whole organisation.

The company's actions are driven by inalienable and fundamental ethical values. They are the backbone upon which Repsol YPF builds mutual confidence within the company and with all its stakeholders:

- **Integrity:** irreproachable behaviour, hand in hand with rectitude and honesty.
- **Transparency:** appropriate and accurate information about company activities. Truthful and verifiable information.
- **Responsibility:** We assume our responsibilities and act accordingly.
- **Safety:** we demand a high level of safety in processes, facilities and services, paying particular attention to the protection of employees, contractors, customers and local surroundings.

Furthermore, Repsol YPF has defined four professional values upon which the company's competitive advantages are upheld. Shared by the people at Repsol YPF, the professional values are what make it possible to reach the company vision, meet commitments and steer management towards excellence. These values are what give the company a competitive advantage over others by permitting the organisation to obtain stable profits over time using means and ways that are not easily copied by competitors:

- **Leadership:** management based on the motivation, delegation, responsibility, involvement and teamwork that drives the organization towards its Vision.
- **Results-oriented:** a more flexible and agile management, and efficient processes.
- **Innovation:** an attitude of constant improvement and innovation, ensuring access to information, managing knowledge and stimulating technological development.
- **Customer-focused:** anticipating customer's needs rapidly and adeptly.

The values which drive the behaviour of all Repsol YPF employees worldwide can be found in Repsol YPF employee's Ethics and Conduct Regulation. Available on the company's Website, this regulation was approved by the Repsol YPF Board of Directors in November 2003 and subsequently modified on 26th April 2006. This regulation, along with other regulations and information published (the Board of Directors and Annual Shareholders' Meetings Regulation, the Annual Corporate Governance Report, the Internal Regulation for Repsol YPF Group Conduct in Equity Markets, the Policy for Human Rights, Respect for People and their

Internal opinion

"For those of us who form part of Repsol YPF, 2006 has been an outstanding year, particularly in regards to the initiatives undertaken aimed at strengthening and advancing in our Corporate Responsibility commitments. It has also been so in terms of the recognition by external parties that we have received. Those arising as a result of the analysis of our Corporate Responsibility practices by institutional investors have been especially gratifying.

Following a rigorous process of social and environmental evaluation, in 2006, Repsol YPF was accepted into the exclusive Dow Jones Sustainability Index. Also, Repsol YPF was included into the Climate Leadership Index, an initiative supported by 280 of the largest worldwide institutional investors which it groups to the best companies of the world for its strategy and transparency policy in the face of climate change. Such recognition encourages us to continue with our conviction that technology and new wave fuels are the basic tools with which to help to combat this global problem. In addition, Repsol YPF continues to be a member of the FTSE4GOOD indexes.

Here at Repsol YPF, we have dedicated time and effort in 2006 to reflect upon what Corporate Responsibility means for our company. This reflection process culminated with the creation of the Corporate Responsibility Master Plan 2007-2009 in which representatives from both the businesses and corporate areas participated and in that, different strategic lines and action programs were identified.

Likewise, and as a result of the Master Plan, the year 2006 heralded the creation of the Commitment with the Community Program, whose objective is to analyze, order and direct the Company's social commitment actions. The program will help us to develop community

action plans in line with business objectives and the real needs of the communities where they are carried out.

Lastly, I wouldn't like to leave Repsol YPF's Ethics Committee without mention. This Committee, founded in 2006, was born with the aim of becoming an instrument by which to spread Repsol YPF's values and principles across the entire organization.

We sincerely believe that we are on the right track. That we are taking the steps that will help to make us a company known for our culture, our high added value, and the excellence of our management. Having read this Repsol YPF 2006 Corporate Responsibility Report, I hope you will agree with me."

Jaume Giró

*Chairman of Repsol YPF's Corporate Reputation Committee
Group Managing Director of Communication and Head of Chairman's Office*

Commitment to our stakeholders

1. Commitment to our shareholders

To offer our shareholders sustained value creation, guaranteeing management transparency and good corporate government.

2. Commitment to our customers

To satisfy adequately our customers' expectations, striving to anticipate and know their needs.

3. Commitment to our partners and suppliers

To establish relationships based on reciprocal contribution and mutual benefit with partners and suppliers, and above all, based on trust and the quality of products and services.

4. Commitment to our employees

To capture, motivate and retain the best professionals, offering an attractive place to work. To guarantee and promote professional development opportunities in a leading company. The basis of this professional career development will be the objective assessment of professional merit, within a framework of zero discrimination, making employees proud to form part of the organization.

5. Commitment to society

To contribute towards the sustainable development of our society, and to declare our firm commitment to support those communities in which we work caring for our surroundings, safety, commitment to the environment and respect for human rights are present in our company strategy, driving business growth in a way that is compatible with sustainable development principles.

Diversity, among others) emphasises Repsol YPF's commitment to good corporate governance, transparency and social responsibility.

Repsol YPF's stakeholders

Repsol YPF has identified the principal stakeholders (SH) with whom it relates, and has created a series of commitments to them.

These commitments are integrated within Repsol YPF's management policies and systems. These commitments drive the company's actions, via a series of policies and strategic programs. The purpose is to develop appropriate communication channels with the stakeholders and to create structures through which the knowledge obtained may reach the company's strategic and operational development centres. The ultimate aim is to create stable relationships with all parties concerned so as to be able to respond to their needs, diminish risks to the company's reputation and operations, and to make the most of the competitive advantages that these relationships may bring about. All of this brings the company closer to the territories in which it operates.

It is worth highlighting that Repsol YPF carried out a materiality study in accordance with the AccountAbility AA 1000 standard guidelines in order to produce this Report, as well as collaborating with an Independent Experts Committee and consulting the external opinions of sector experts and the internal views of company directors.

Repsol YPF stays in touch with its stakeholders

Employees

- Employee Assistance Service (EAS).
- Accident and incident management tool.
- IV Framework Agreement with the trade unions.
- 2006 Work Climate Survey.
- Contact form to reach any company area.
- Communication with Social and Cultural Action.
- Communication with Corporate Responsibility.
- Chairman's mailbox.

Community

- Commitment to the Community Program.
- Communication with Foundations.
- Contact form to reach any company area.
- Communication with Social and Cultural Action.
- Communication with Corporate Responsibility.
- Collaboration with universities and research centres.

Shareholders and investors

- Investor Relations
- Shareholder's Information Office
- Investor agenda

Customers

- Product information.
- Client service telephone line.

Suppliers

Qualification system and suppliers register.

Sector Associations

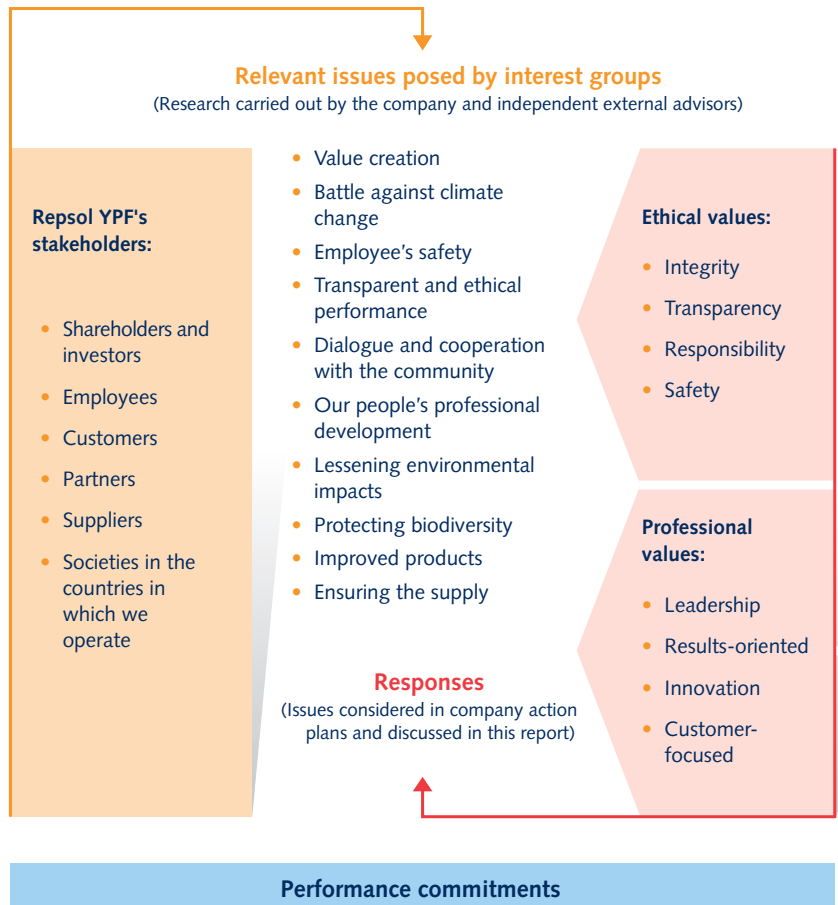
Involvement in work groups.

The media

Contacts with the media.

More information regarding tools and procedures in: www.repsolypf.com

Repsol YPF's procedure to corporate responsibility



Corporate Responsibility Master Plan

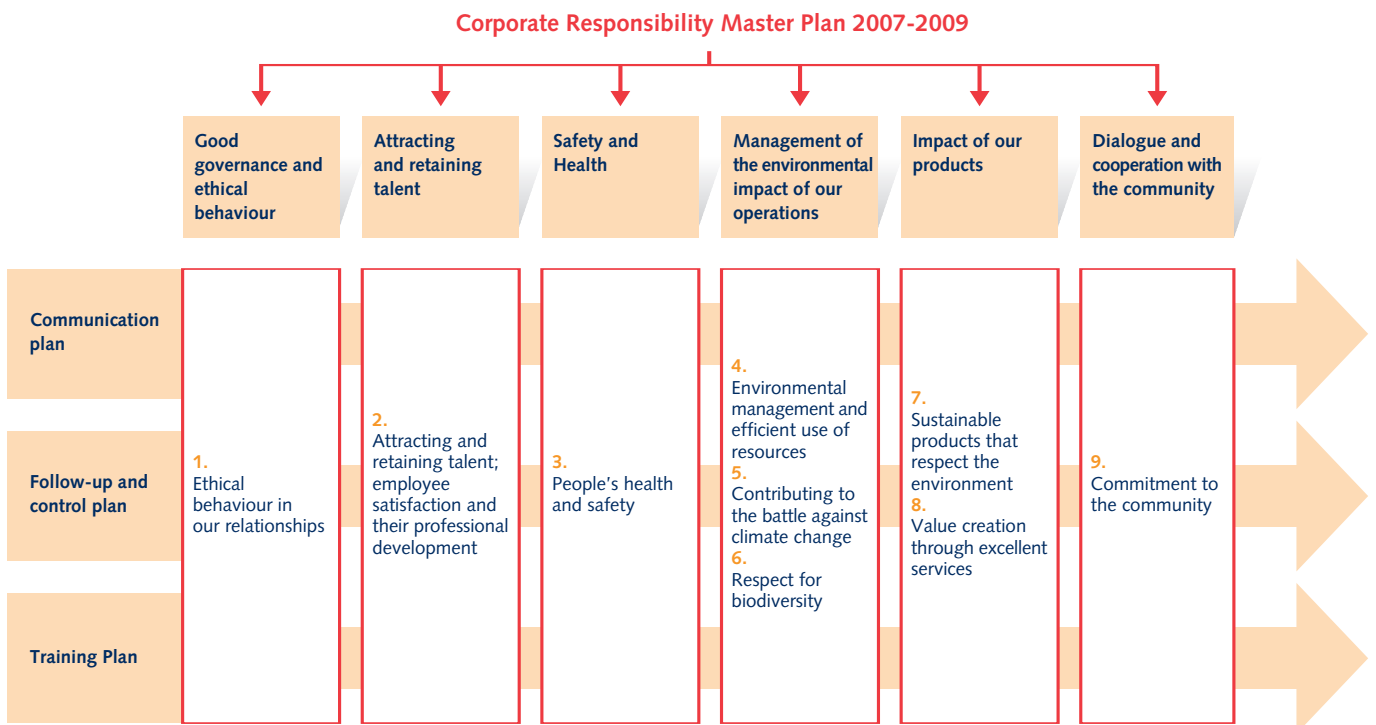
At present, the environment in which companies move is subject to constant, and often unpredictable, changes. In this context, the most important thing for a business is no longer its position in a specific period but rather its ability to evolve and adapt to new times.

Proof of this reality is the development of a Corporate Responsibility Master Plan that drives and coordinates Repsol YPF's key actions for 2007-2009 in the field of corporate responsibility.

This Master Plan has been created upon the basis of an extensive strategic analysis to identify and analyse the principal challenges and non-financial risks associated with company activities (challenges) that should be tackled in the Strategic Plan.

As a result of this analysis, we have established six strategic lines and proposed nine action programs to respond to the challenges that the company faces. The ultimate purpose of the Master Plan is to help Repsol YPF to fulfil its strategic objectives so as to be recognised as one of the most renowned companies in the sector in its geographical field of action.

In the attached figure is shown the approach taken by Repsol YPF in the development of its Master Plan and the definition of its strategic lines of strategy and action programs .





For each action program, steps, objectives, indications and implied areas have been indicated. It is fit to note that inside the Master Plan, special attention will be given to the development of a specific Commitment to the Community Program.

Three corporate coordination plans have also been designed: The Corporate Communication Plan, the Corporate Monitoring and Control Plan to evaluate the effectiveness of the strategies introduced and the degree to which proposed objectives are met, and the Corporate Training Plan that serves as support for the correct implementation of the Master Plan and corporate programs, ensuring continuity in the new company direction.

Through the analysis of the Corporate Responsibility Master Plan, six strategic lines and nine action programs have been established

Management responsibilities and good governance

Definition of policies and strategic action lines in environment, safety and corporate responsibility issues fall on the Senior Management

The basic pillars of Repsol YPF activity in terms of corporate governance are transparency, shareholder involvement, excellent Board of Directors' performance, and the independence of its external auditor. The internal rules that govern actions in this field are principally found in the Company by-laws, in the Board of Directors Regulation and the Annual Shareholders' Meeting Regulation.

The Annual Shareholder's Meeting is the chief social body through which shareholders may have a say in the company's essential decision taking.

Similarly, the Board of Directors carries out the functions of managing, administering and directing all company business that is not expressly reserved for the Annual Shareholders' Meeting, according to the law or company by-laws. As a general rule, the Board entrusts collegiate bodies

and the management team with the management of day-to-day business, concentrating its activities on general supervisory functions and deliberating matters of particular importance for the company, in general carrying out all those activities reserved for the Board according to its Regulation.

Consequently, in accordance to the Regulation governing its functions, the Board of Directors, among other activities, is responsible for determining the company's strategic orientation and financial objectives, and agreeing, at the proposal of Senior Management, the strategies, plans and policies needed for their achievement. The Board of Directors is also responsible for approving the company's ethical and conduct codes.

The Board of Directors is presently made up of 14 Board members, 2 of which are executive directors, 6 are institutional outside directors, and 6 are outside independent directors.

In order to guarantee maximum efficiency and transparency in the fulfilment of its functions, the Board of Directors may create internal Committees with executive and advisory faculties. The following Committees are currently in place: The Delegate Committee, the Board's delegate body, with executive functions; the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Competition Committee, which serve as specialist Committees within the heart of the Board of Directors, vested with supervisory, reporting, advisory and proposal functions. The purpose of the three latter committees is to facilitate the Board in their decision



making, using their prior research, as well as reinforcing and guaranteeing the Board's objectivity when considering certain issues.

The group's Senior Management Team is made up of the company Chairman, who is the Chief Executive according to the Board's Regulation, five Executive Directors, the Directors of the three Company business areas, ABB (Argentina, Brazil and Bolivia), Downstream and Upstream, and the Corporate Media Director.

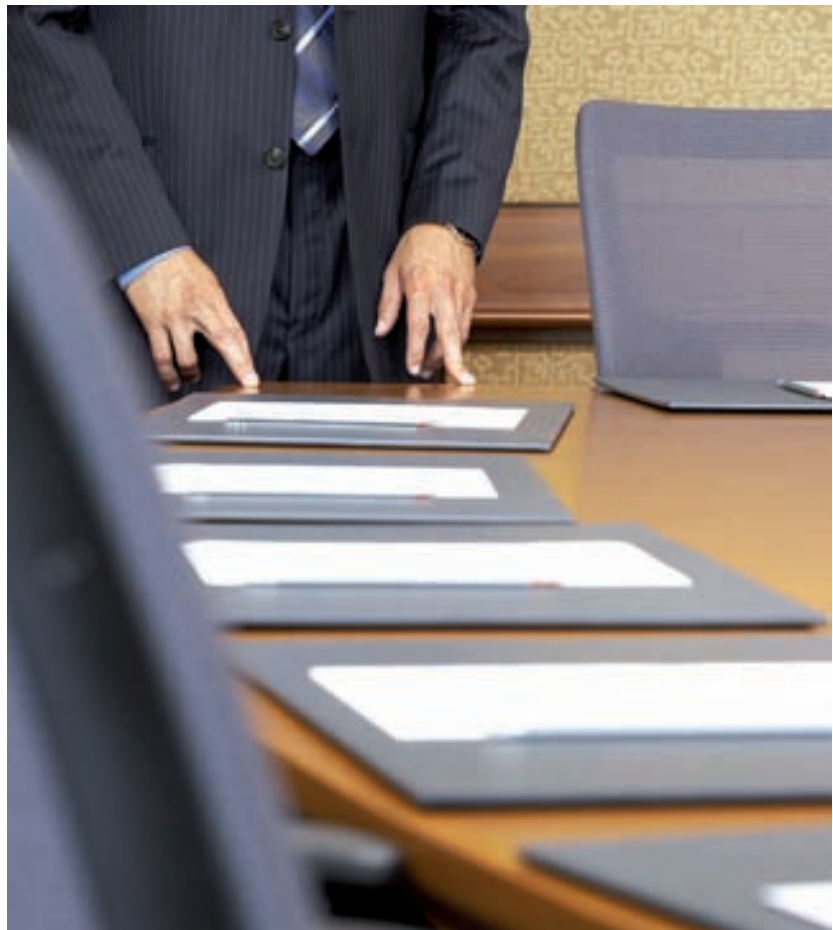
Four Committees have been set up within the Senior Management Team: Executive Committee, which defines Group operations strategy and control, the Global Exploration and Production Committee which coordinates E&P activities that require an integrated Group vision, the Global Downstream Committee, responsible for knowledge transfer and best practices in the Downstream field, and the Human Resources Committee, in charge of aligning human resources management with Group strategy.

Some of the responsibilities of the Senior Management team include the definition and approval of both environmental and safety and corporate responsibility strategic action lines.

In addition, from 2005, the Board Audit and Control Committee formally and specifically assumed the responsibility of learning and directing Repsol YPF's policy, objectives and guidelines in the environmental and safety field by means of the Corporate Resources Management.

The Finance and Corporate Services Management teams, via the Safety and Environment Management team, propose the company strategies and action lines in the environmental and safety field.

According to the leadership and integrated management principle of the Health, Safety and Environment Policy, the business units are responsible for environmental and safety management. Therefore, each business unit has its own environment and safety organization, adapted to its characteristics and needs. The explicit and visible commitment of Management and the chain of command, across all units and at all levels of the organisation, is needed to ensure the effective development of this Policy.



The Ethics
Committee has
been created in
order to supervise
the compliance
with the Ethics
and Conduct
Regulation
Repsol YPF's
employees

As regards corporate responsibility, the Corporate Reputation and Social Responsibility Management team, part of Corporate Division of Communications and Head of Chairman's Office, is responsible for directing and coordinating with the relevant organizational units the management activities and the evaluation of values and risks of corporate reputation, in line with Corporate Reputation Committee and the aforesaid Corporate Divisions guidelines and policies. The chairman of the Corporate Reputation Committee is the Group Managing Director of Communication and Head of Chairman's Office, member of the Executive Committee and reports directly to the Executive Chairman.

Corporate responsibility activities are carried out both from within the corporate units as well as the business units. In addition to the seven people attached to the Corporate Reputation and Social Responsibility Management team, approximately 90 others are directly involved in the fields of community relations, safety and

environment. All those in areas such as human resources or corporate governance who also contribute towards the development of corporate responsibility in the company should also be taken into account.

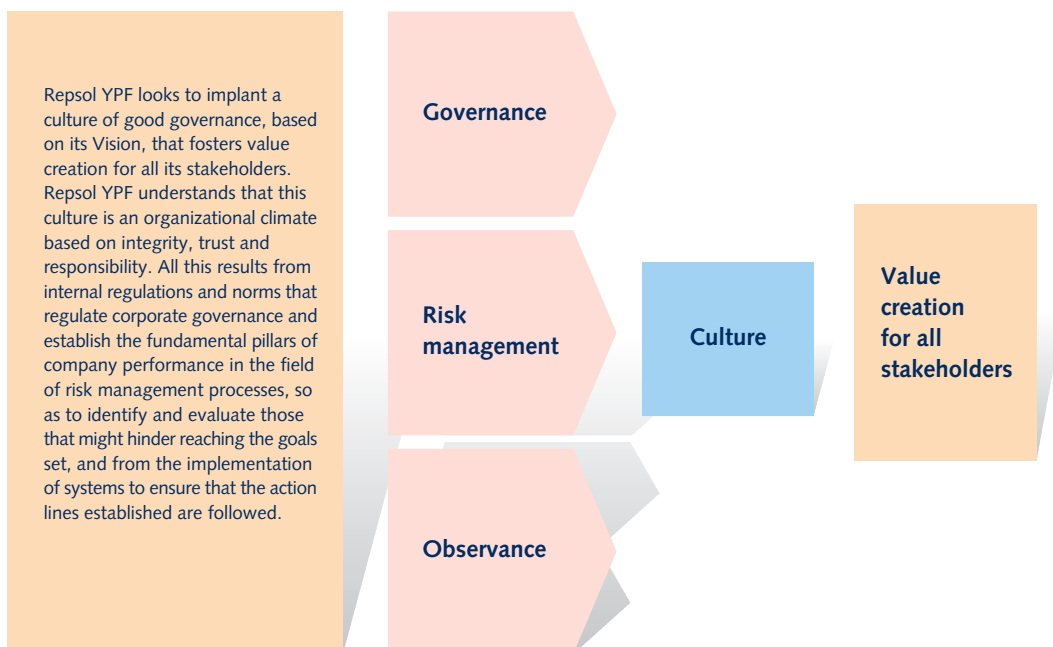
Repsol YPF and best corporate governance practices

The company has shown a particular capacity since 1995 to assume self-regulatory principles in the area of good governance.

As part of the continuous process of adapting its principles of good governance to ensure best practice, the company has carried out the following activities during the 2006 financial year:

- In April 2006, the Board of Directors approved the modification to the Ethics and Conduct Regulation of Repsol YPF, S.A. Employees. The approved

Corporate governance as a tool for cultural consolidation



modification had previous approval from the Corporate Reputation Committee, the Executive Committee, the Repsol YPF Internal Transparency Committee, and the Audit and Control Committee.

The principal purpose of the aforesaid modification was to incorporate a detailed regulation of company policies in regard to its relationships with governments and authorities, measures against corruption and bribery, and an express recognition of the commitments made in the Policy for Human Rights, Respect for People and their Diversity. Furthermore, taking advantage of the modification, the Regulation was fully revised, which resulted in the modification of a large number of its sections.

- As part of the modification to the Ethics and Conduct Regulation of Repsol YPF, S.A. Employees, the Board of Directors approved the creation of the Ethics Committee, the body responsible for managing the monitoring and observance of this Ethics and Conduct Regulation.

As agreed, different communication channels were set up from December 2006 at the disposal of all those interested, so that any query regarding the Ethics and Conduct Regulation of Repsol YPF, S.A. Employees would reach the Ethics Committee, as well as any communication regarding possible failures to observe or follow the conducts as described in said Regulation.

- With the purpose of reinforcing shareholder involvement, one of the points on the Agenda for the 16th June 2006 Annual Shareholders' Meeting was to create specific procedures and rules for the option or delegation of remote electronic voting. Therefore, any shareholders that have a recognised or advanced electronic signature, based on a recognised and valid electronic



Since 1995, the company has shown special sensitivity to assume self regulation principles in the good governance field

certificate issued by the official Spanish Certification Body (CERES), may choose to vote or delegate their vote electronically via the company website.

- In order to choose Repsol YPF and its Consolidated Group's external auditor for its 2006 auditing, the Audit and Control Committee held a selection process open to the best known firms, so as to choose that which offered the best balance between quality service –minimum service levels were stipulated as a previous requirement– and their remuneration costs.

Fulfilling commitments, principles and policies established

*In 2006,
Repsol YPF joined
the European
Alliance for
Corporate
Responsibility*

Being a responsible company means to make a positive contribution from its work to the wellbeing of the societies in which it is present, respecting the dignity of people and the integrity of the environment.

Repsol YPF operates in various parts of the world: in countries with different cultures and social situations, quite distinct politics and safety; in environmentally highly sensitive areas; and in countries with weak leading institutions. All these factors may fundamentally affect the credibility of the company's management, and consequently, its value.

Repsol YPF has established internal and external commitments, policies and principles into its management model which are renowned for their value in the social and business responsibility field.

The commitments, policies and principles established define the company's ethical framework, set out the guidelines to respect human rights and establish how to minimise environmental impact and increase people's safety.

With the purpose of establishing the general guidelines that should drive the conduct of a company committed to good corporate governance, transparency and social responsibility, the company's Board of Directors approved the Ethics and Conduct Regulation in 2003, which was then revised in 2006.

Repsol YPF joined the EITI (The Extractive Industries Transparency Initiative) in October 2003, whose principal objective was to foment transparency in the payments of





taxes and royalties to governments in countries with exploration and production activity and thus combat corruption. These taxes should form part of the motor for economic and social development in countries with abundant natural resources.

Repsol YPF signed the United Nations (UN) Global Compact in 2002 –consisting of ten principles relating to human rights, labour regulations, protection of the environment and fighting against corruption– with the commitment to work towards supporting and promoting them in the oil and gas industry. Repsol YPF follows the development of the implementation of the ten principles according to the ASEPAM (Spanish Global Compact Association) *Informe de Progreso* model. Repsol YPF's communication on progress (COP) report can be viewed at <http://www.pactomundial.org>.

Repsol YPF has established commitments, policies and principles of outstanding value in the corporate responsibility sphere

As a result of its commitment to respect and promote human rights in the area of influence of its operations, Repsol YPF has joined the United Nations (UN) Universal Declaration of Human Rights (<http://www.un.org/rights>). In addition, it assumes the principles set out in the Declaration of the International Labour Organization regarding the principles and fundamental rights in the workplace (<http://www.un.org/rights>) and in the OECD Guidelines for Multinational Businesses (<http://www.oecd.org/dataoecd/56/36/1922428.pdf>) as well as, being a member of the association, the guidelines and action lines found in the Oil

Global Compact

Repsol YPF forms part of the United Nations Global Compact, an ethical commitment initiative meant for companies to assimilate ten principles of conduct as an integral part of their strategy and operations: human rights, labour conditions, environment and corruption. The Global Compact was launched by the United Nations Secretary General, Kofi Annan, in 1999, and began operating in 2000.

www.unglobalcompact.org
www.pactomundial.org

Extractive Industries Transparency Initiative (EITI)

Sponsored by the British Government, and launched during the World Sustainability Summit in 2002, the purpose of this initiative was to increase transparency in payments made by extractive industry companies to governments.

By joining the EITI, Repsol YPF commits to promoting and working in collaboration with governments and other companies to develop a framework of transparency good practices in payments for extractive activities in those countries in which it operates.

www.eitransparency.org
www.repsolypf.com



and Gas Producers Association (OGP) (<http://www.ogp.org.uk/>) documentation. Using all these principles as its base, Repsol YPF sets out its Policy for Human Rights, Respect for People and their Diversity. Via this corporate document, the company commits itself to carry out all its activity without any type of discrimination.

In its desire to contribute towards promoting corporate responsibility, in 2006, Repsol YPF joined the European Alliance for Corporate Social Responsibility.

Repsol YPF promises to conduct its activities in a way so as to minimise negative environmental impact and to ensure a high level of safety in its processes, facilities and services, paying particular attention to the protection of employees, contractors, customers and the local surroundings. For that reason, and in line with the best practice in the sector, the company has created a Health, Safety and Environment Policy, it has assumed clear positions as regards climate change and biodiversity, and it has defined fundamental action plans to answer them.

It is also worth noting that as part of its duty to protect its staff and facilities, Repsol YPF uses as reference for its actions the US/UK Voluntary Principle on Safety and Human Rights and the OGP report "Firearms and the use of force" regarding the use of firearms and force.



Communication and the brand name

Repsol YPF is convinced of the enormous importance and growing value of its brand name as a key element in differentiating its products and services, in confirming and making visible its leadership, for its customers and society in general, and in its ability to attract and retain human capital.

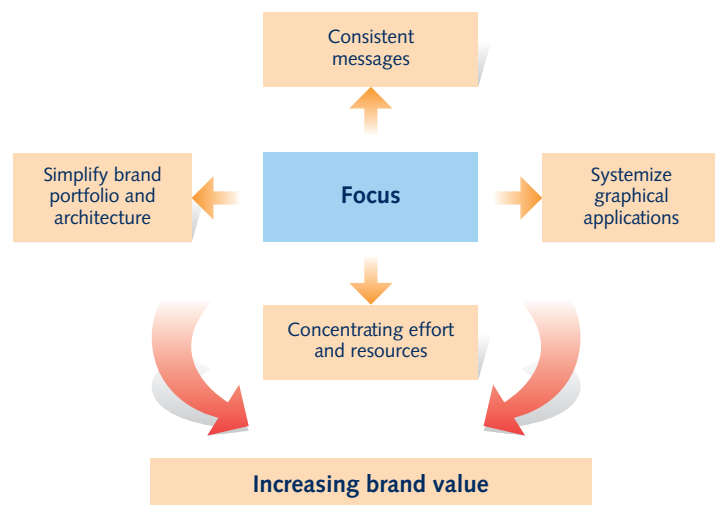
A shared identity, excellently managed, allows the company to put forward an unequivocal and differentiating message to its different audiences, as well as creating links of association between them.

Convinced that what cannot be measured cannot be managed, we work to join traditional marketing elements and tools with an economical and financial focus, in such way as to be able to quantify and monetise the direct impact of marketing and communication actions on the economic value of the brand, and therefore, the total value of our business.

To guarantee our position as leaders in the principal countries in which we operate, we have worked on defining a policy focused on the key commercial brands in these markets, YPF in Argentina and Chile and Repsol in Spain and other key markets. These brands represent the backbone of growth and value contribution, given their great capacity to differentiate, their high visibility and prestige, and the strength of brand attributes, for all those interested in the company.



The ultimate purpose of this policy is, and it could not be any other, to increase the value of the brand asset. To this end, we have undertaken a number of actions that part from the definition of a strategy that identifies the strengths, risks and opportunities of our brands, and pursues the generation of a differentiating and relevant brand image, capable of maintaining customer loyalty and maintaining the financial results as set out in the strategic plan.



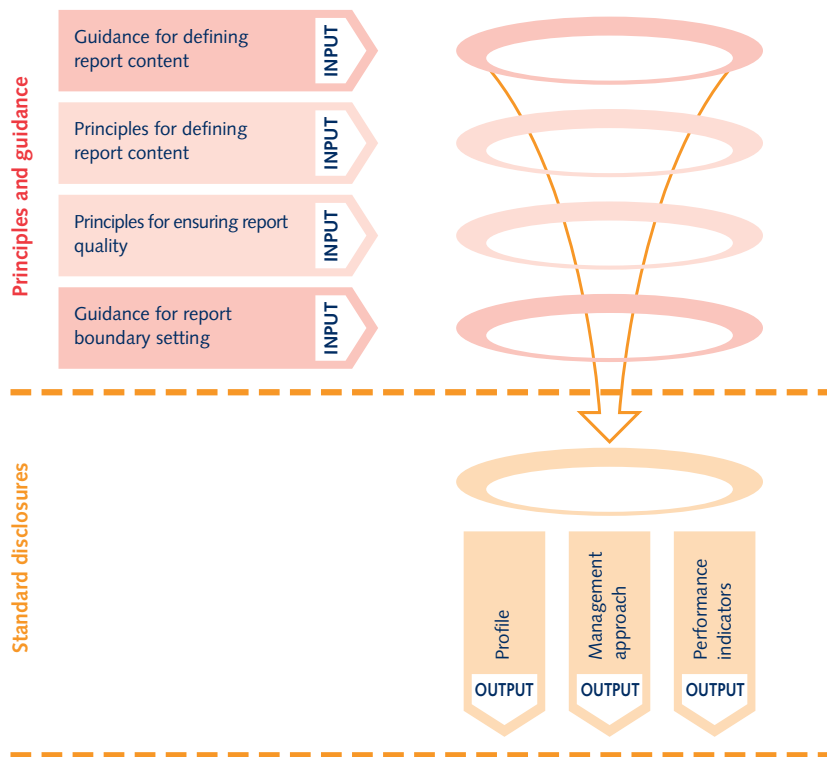
About this Report

Determining the contents of the Report

This report aims to demonstrate accurately Repsol YPF's behaviour in regards to the economic, social, environmental and ethical implications of its activity from 1st January to 31st December 2006. This Report is complemented by the rest of Repsol YPF's corporate information for the 2006 financial year, which includes its Annual Accounts and Management Report, which studies strictly economic and financial management, the Annual Corporate Governance Report, which concentrates on information regarding Repsol YPF's governance bodies, the Fact Book and the information to be found on the corporate website.

The Report has been created in accordance to the guidelines of the Global Reporting Initiative in its new G3 Guide for the creation of sustainability reports, and has also taken into account guidelines from the IPIECA (International Petroleum Industry Environmental Conservation Association) and API (American Petroleum Institute) guide to the oil and gas sector.


The G3 Guide consists of a set of principles and guidance whose objective is to define the content, coverage and reach of the report, as well as to guarantee the quality of the information given. It also includes the standards with which it defines and organises the information included in the report: Strategy and Profile, Management Approach and Performance Indicators. The principles as a whole are designed to achieve transparency: a value and objective that represents the backbone of a corporate responsibility report.



GRI application level

Repsol YPF has qualified the creation framework of this Report as A+ in terms of the GRI defined application levels. The report has applied the principles and guidance given by the 2006 Guide, including all the information on all companies that produce significant impacts, detailing the profile of the organization and the management approach in each chapter, as well as including all performance indicators defined as principles, applying the materiality criteria to the company's real situation.

In addition, Repsol YPF decided to consult the opinion of KPMG Asesores S.L., in order to verify the application of the GRI G3 Guide in accordance with the company's self declaration, as well as solicit the GRI on the stated self declaration.

		2002 In Accordance	C	C+	B	B+	A	A+
Obligatory	Self declaration							✓
	External verifier							✓
Optional	Checked by GRI							

Defining the content

The G3 Guide establishes four principles that should be used alongside the relative guidance for defining the report's content: Materiality, Stakeholders Inclusiveness, Sustainability Context and Completeness. Repsol YPF has followed these principles in the creation of their 2006 Corporate Responsibility Report through clear action lines that respond to the commitments, strategy and board focus that have been implemented by the company.

- **Materiality:** *"The information in a report should cover topics and indicators that reflect the significant economic, environmental and social impacts or would substantively influence the assessments and decisions of stakeholders".*

Before creating the report, Repsol YPF carried out a materiality study based on AccountAbility AA 1000 standards so as to identify the relevant corporate responsibility issues to be reported on.

The study consisted of the identification and categorization of the relevant issues, comparing their maturity in the sector and the risks that these represented in terms of institutional investors, sector leaders, the media and opinion makers.

- **Stakeholder Inclusiveness:** *"The reporting organization should identify its stakeholders and explain in the report how it has responded to their reasonable expectations and interests".*

Repsol YPF has defined its stakeholders, identified their expectations and implemented programs to establish stable relationships with them. These relationships and activities are reflected in the contents of the Report. So as to include the stakeholders directly in the Report's creation, an Independent Experts Committee was set up to represent the expectations of a wide range of interested parties. This Independent Experts Committee gives an independent assessment of the Report's creative



process, via an open dialogue with the company. In particular, it values how certain issues proposed by the Committee to the company have been taken into account.

- **Sustainability context:** *“The report should present the organization’s performance in the wider context of sustainability”.*

Considering the strategic importance that Corporate Responsibility holds in Repsol YPF, the Report has tried to analyse the company’s operations within the context of the limits and demands of environmental and social resources at a sector, local, regional and global level.

For this reason, both an expert and independent external opinion and an internal opinion have been clearly included in each chapter in regards to these issues.

Via the inclusion of the external opinion of sector experts, Repsol YPF wishes to give readers the chance to form an independent opinion regarding the different issues discussed and to understand why these issues must be of important importance for an oil and gas company such as Repsol YPF in the wider context of sustainability.

With the internal opinion of top Repsol YPF managers, the company aims to put the information given into the context of the company’s policies and strategic plans.

- **Completeness:** *“Coverage of the material topics and indicators and definition of the report boundary, should be sufficient to reflect significant impacts, and enable stakeholders to assess the reporting organization’s performance during the reporting period”.*

The coverage and reach of this report was clearly defined during its creation, and priority was given to any information considered material, and all significant actions or events that have taken place in 2006 were included with the intention of no omitting any information relevant for stakeholders.

Using the AA 1000 standard in the creation of this Report

The AA 1000 regulation is a key tool to align the information given with the concerns and demands of the principal stakeholders. Making use of this regulation, along with the Global Reporting Initiative principles, Repsol YPF aims to report on its corporate responsibility performance on the premises of transparency and credibility.

The AA 1000 standard is based upon the commitment of Inclusivity (to be inclusive and global) and the principles of Materiality, Completeness and Responsiveness.

- **Materiality:** *Information is regarded as material if its omission or distortion in a Report may influence the decisions or actions of the reporting organization's interest groups.*

As has already been mentioned, Repsol YPF carried out a materiality study when creating this report, based on the AA1000 standard recommendations. The contents of this 2006 Corporate Responsibility Report respond to the results of said materiality study, as well as other criteria.

- **Completeness:** *This principle requires that the reporting organization assesses the degree to which it is able to identify and comprehend the sustainable operations associated with the activities, products, services, facilities and subsidiaries that are under its legal responsibility and management.*

To create this report, Repsol YPF has made an effort to understand the principal implications related to the corporate responsibility of its activity. Repsol YPF's plans, commitments and policies, detailed in the following chapters are result of the understanding the company has of the impact of its activities and the measures it takes to manage them. In addition, Repsol YPF has turned to the opinion

of external organizations and experts so as to allow the reader to form a more accurate idea of the corporate and business context of the information reported, and the importance of the different issues for a company like Repsol YPF.

The reach of the information has been clearly defined in the creation of the Report, as established in the section Coverage of the Report.

- **Responsiveness:** *This principle requires that the reporting organization demonstrates in its report what actions it has carried out to respond to the concerns and interests of stakeholders, and which indicators have been used to reflect changes in activities related to these aspects.*

Repsol YPF understands that the materiality study they developed has allowed them to identify those issues that, in the opinion of their stakeholders, are deemed critical in terms of the company's corporate responsibility performance. These issues, divided into chapters, make up the bulk of the Report. As far as possible, for each of these issues, Repsol YPF has tried to demonstrate to its stakeholders their relevant





*Repsol YPF
has invited
an Independent
Experts
Committee
to analyse the
Report contents*

commitments and policies; the main existing management systems; and the performance data that allows the reader to make a judgement about Repsol YPF's focus and results in this area.

In this way, the Report describes the main structures and systems for the management and control of economic, social and environmental aspects critical to the company.

Furthermore, so as also to include the opinion of some relevant stakeholders, Repsol YPF has turned to an Independent Experts Committee, free to ask the company any question they deem appropriate. Repsol YPF has responded to these in the best way possible in this Report.

For more information about AA1000 visit <http://www.accountability21.net>

Coverage of the Report

Data supporting the environmental and safety information comes from the company's information systems, which in turn are verified by third parties.

The inclusion criteria are as follows:

- **Environment:** as a general rule, 100% of the emissions of different types are recorded for subsidiary companies where Repsol YPF has majority shareholding and or operational responsibility (control).

In the case of greenhouse gases, the emissions coming from company activities are also included, according to the proportion of shares held by Repsol YPF in each company, as well as the indirect emissions associated to the purchase of energy from a third party and other relevant indirect emissions.

Included in this Report for the first time is environmental data from the new company centres with exploration and production activity in Colombia, Venezuela*, and Trinidad and Tobago.

Also included for the first time are the new logistical and LPG activities in Portugal, Sines* chemical plant (also in Portugal) and the lubricants business in Brazil.

- **Safety:** Data regarding the safety of 100% of the employees in subsidiary companies is included where Repsol YPF has majority shareholding and/or operational responsibility (control). For contracted employees, any post under direct contract with Repsol YPF over a year is included.

* The Barranca oilfield (in Venezuela) and the Sines chemical plant reported greenhouse gases in 2005. In 2006, they have begun to report the rest of the environmental parameters (following corporate criteria).

For the second time running, in order to create the Corporate Responsibility Report, Repsol YPF commissioned a materiality study based on the recommendations of the AA1000 standard. The purpose of the study was to decide which corporate responsibility related issues were of a material nature for Repsol YPF. In short, it aims to help to focus the company's Corporate Responsibility Report on the most relevant corporate responsibility-related areas, taking into account the characteristics and particular features of Repsol YPF and the sector in which it operates. The resulting sequential analysis tries to use different ways so as to determine the importance of the various corporate responsibility-related issues for Repsol YPF:

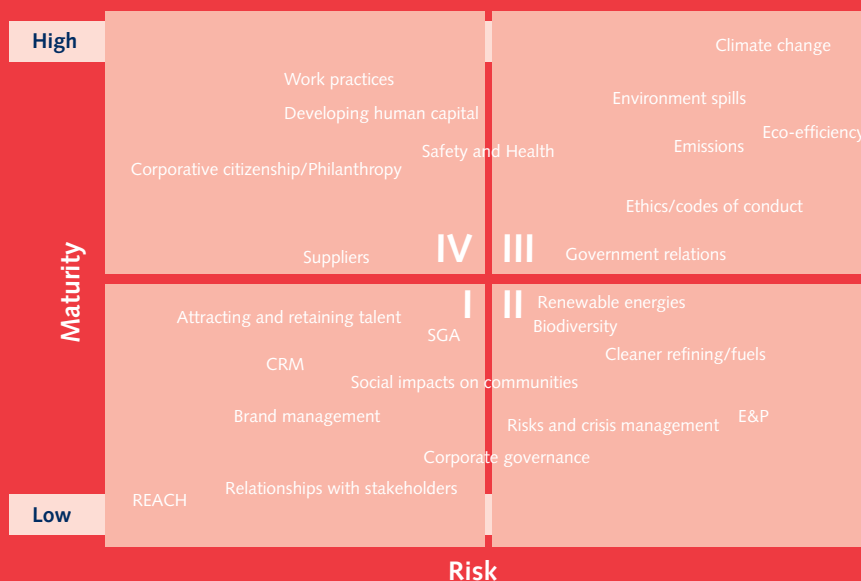
- i) The sector challenges, as posed by institutional investors concerned with corporate responsibility practices. The objective is to know which issues they are interested in when launching their questions regarding corporate responsibility. In particular, special attention is given to questions asked in reference to Dow Jones Sustainability Index and FTSE4GOOD.
- ii) The corporate responsibility information published by companies in the sector. Its intended to understand the maturity in which the different issues are dealt with in reference to corporate responsibility reports of the sector companies.
- iii) The attention paid by sector associations to the different questions regarding corporate responsibility. The intent is to know the issues related with corporate

responsibility constitute the principal attention focus of said associations.

- iv) The questions regarding corporate responsibility in the Oil & Gas sector reflected in the media. The intent is to know if the related issues in the sector experienced an echo in the media. Through varied tools, news and events are recompiled in which the sector companies received attention from the media, in which the causes that affect such attention are analyzed.
- v) Key service issues for Internet opinion makers. Varied tools are utilized with the objective of knowing what issues, related to the sector, pay attention to organizations with prescription Internet capacity.

A series of issues result from the previous tests that can be mapped in terms of two variables: maturity, understood as the level of attention paid a particular issue by companies in the sector; and relevance or risk, resulting from the level of attention paid by institutional investors, sector associations, media and Internet opinion makers.

The previous analysis resulted in a map of Repsol YPF's material issues categorized according to their maturity and risk. This analysis confirmed to Repsol YPF the importance of issues such as corporate integrity, transparency in government relations, climate change and new energy developments.



During the creation of this Report, principles from the G3 Guide has been followed in order to define the quality of information given

- As for **social information**, data corresponding to Repsol YPF employees takes into account all those employees who formed part of the Group's staff in 2006, in all geographical areas in which the company operates, and the staff of the companies included in consolidated company accounts through global integration, proportional integration and/or where Repsol YPF has operational responsibility (directly controlled). The social information corresponding to the company's relationship with local communities refers to all activities carried out by Repsol YPF and its foundations: Repsol YPF Foundation, Repsol YPF Ecuador Foundation and YPF Foundation, for social action in all the territories in which the company operates.
- The **economic-financial** data which appears through out the report that don't refer to the environment, safety and social issues mentioned in this chapter, correspond to the published Repsol YPF 2006 Annual Report, which defer from the ones in the present report and are externally verified.

Quality of the information given

When taking decisions about the preparation process of the report's information, the principles established by the G3 Guide in regards to defining the quality of information given were respected: balance, comparability, accuracy, timeliness, clarity and reality. All these principles are essential in order to achieve effective transparency in the report. The quality of the information allows interest groups to make an appropriate and reasonable assessment of company performance as well as to take any necessary measures.

- **Balance:** *"The report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance."*

The report looks for balanced information by including both favourable and unfavourable results and aspects of the business. The emphasis on the aspects described in the report hope to be proportional to their materiality.

- **Comparability:** *"Issues and information should be selected, compiled, and reported consistently. Reported information should be presented in a manner that enables stakeholders analyse changes in the organization's performance over time, and could support analysis relative to other organizations."*

The report tries to maximize the comparability of the data published by reporting them in a way that permits an easy identification and explanation of variations comparing different years and in regard to key organizations. For the majority of indicators the evolution of data in the years previous to the creation of this report is shown.

- **Accuracy:** *"The reported information should be sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance."*

The accuracy of the published data is supported by the company's management and data treatment systems, verified by third parties, and by a further verification process carried out by KPMG Asesores S.L.

- **Timeliness:** *"Reporting occurs on a regular schedule and information is available in time for stakeholders to make informed decisions."*

We have respected the timeliness of the published information by collecting performance data in time with the report's creation schedule, and we have tried to publish it as far ahead of time as possible, so that the information given is relatively recent in relation to the period reported on.

- **Clarity:** *"Information should be made available in a manner that is understandable and accessible to stakeholders using the report."*

We have tried to present the information as clearly as possible for all potential readers by means of tables, links and other mechanisms, avoiding unnecessarily detailed information.

- **Reliability:** *"Information and process used in the preparation of a report should be collected, registered, compiled, analyzed and presented in a way that can be examined, and that can establish the quality and materiality of the information."*

The quality of information permits stakeholders to carry out an appropriate and reasonable assessment of the company's performance



Reliability is supported by means of consistent use of the same company management and data treatment systems, which produce documentation easily accessed for external verification. We have created shared methodologies for data consolidation across all business areas. In addition, a person has been put in charge of the collection of data for each indicator.

Data collection and consolidation

- **Environment:** Repsol YPF has its own IT application, accessible online to all company centres, for the register, analysis, monitoring and consolidation of environmental information. Using a shared methodology established for all business areas, this tool can load and validate environmental indicators in the following vectors: production / sales, energy consumption, atmospheric emissions, water management, discharges into water, spills and waste management (hazardous and non-hazardous).

This methodology can be found in the company's Environmental Parameters Guide, which is based on documents and guides developed by: EEA (European Environment Agency), OGP (International Association of Oil and Gas Producers) and ARPEL (Regional Association of Oil and Natural Gas Businesses in Latin America and the Caribbean).

In the case of greenhouse emissions (GHG), Repsol YPF's inventory is based on the oil industry guidelines for greenhouse gas emission notification developed by: API (American Petroleum Institute), IPIECA (International Petroleum Industry Environmental Conservation Association) and OGP (International Association of Oil and Gas Producers).



- **Safety:** Repsol YPF has a corporate regulation for dealing with safety indicators, which establishes the shared criteria and methodology for the register of company accidents and incidents. This is completed by the Safety Data and Indicators Guide. Safety data is collected and validated by means of a system shared by all Repsol YPF businesses that integrates all the information for its analysis.
- **Social:** The Repsol YPF employee data is obtained from the management systems utilized by the company to compile the professional information as training and development. Additionally, for the line employees, the group's consolidated company's accounts are considered.

In respect to the social information, the data is collected from the different management systems utilized in the foundations, like the different group areas which are responsible for, amongst other issues, community relations.

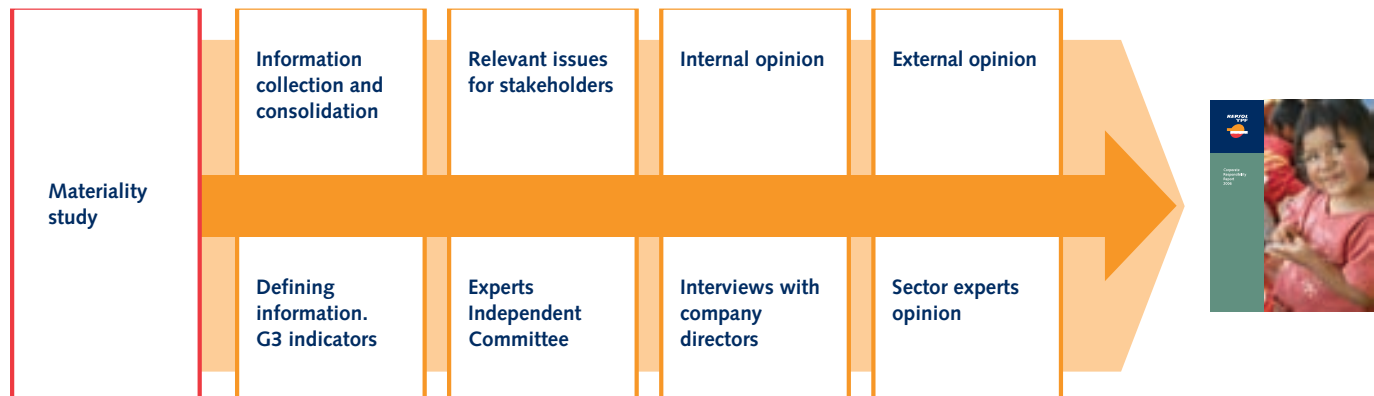
How to collaborate in the forthcoming Repsol YPF 2007 Corporate Responsibility Report

If you wish, you may send your suggestions or comments to Repsol YPF regarding the different issues discussed in this Repsol YPF Corporate Responsibility Report, or any other question relating to Repsol YPF and corporate responsibility. You have a number of communication channels at your disposal.

- *Contact Corporate Division of Communication and Chairman's Office:*
 Paseo de la Castellana, 278-280.
 28046 Madrid
 Telephone: (+34) 91 348 81 00 / 80 00
 Fax: (+34) 91 314 28 21 / 91 348 94 94

- *Contact Corporate Responsibility:*
 Paseo de la Castellana, 278
 28046, Madrid (Spain)
 Telephone: (34) 91 348 81 00 / 80 00
 Fax: (34) 91 348 60 74
responsabilidadcorporativa@repsolypf.com

Creating the report



The sector facing the challenges of sustainable development



The world is facing two energy-related challenges: on the one hand, accessing to a sufficient, safe and economically viable energy supply, and on the other, avoiding serious damage to the environment through uncontrolled consumption.

In its study of the evolution of the global energy market, the World Energy Outlook 2006, the International Agency Association demonstrates the vulnerability of the world's economy in the light of the present world energy situation, namely as a result of recent geo-political events, supply instability, the growth of the global demand for energy, the increase in oil and gas prices, and the uncontrolled increase of greenhouse gases. (GHG) The study shows that a change is needed in world energy policies through a joint action between governments and the private sector so as to ensure sustainable economic, social and environmental

development. It also makes clear that these policies, presently being studied in various countries and directed towards containing energy imports and limiting greenhouse gas emissions, must be based upon the developments made by new technologies and alternative fuels.

In the energy scenario described by the International Energy Association, companies in the oil & gas sector have a fundamental role in ensuring an affordable and socially acceptable supply of energy that also respects the environment.

In this way, companies will be the motor for this timely change. It will therefore be important that these companies get close to governments and people, invest in research, and identify and control their impact on society and the environment. In this scenario, and as sector organizations such as the OGP (International Association of Oil and Gas Producers) and IPIECA (International Petroleum Industry Environmental Conservation Association) point out, these companies will have to face up to the following challenges:

- To maintain the integrity of our ecosystems through responsible operations, including within their management models the principle of prevention and management of the environmental liabilities of past operations.
- To invest in research and new technologies, so as to contribute towards attaining a diversified, safe and clean energy supply.
- To analyse the risks and opportunities of operating in an unstable and fragmented global climate system.
- To operate in countries with human rights issues and fragile institutions.

Repsol YPF in 2006

- To increase the business' social dimension through consistent and quantifiable measures so that their profits may contribute towards social wellbeing and poverty relief.
- To mitigate the negative impacts of large-scale infrastructure projects.
- To establish stable relations with key stakeholders so as to guarantee operational transparency and make better use of resources.

More information on sector challenges in <http://www.ogp.org.uk> and <http://www.ipieca.org>

Repsol YPF has been addressing these and other challenges for some time now, and at present, through the Corporate Responsibility Master Plan 2007-2009, sustainability programmes and policies, and through stable relationships with governments, international organizations, NGOs, universities and other stakeholders.

Repsol YPF wishes to evolve and adapt itself with a responsible approach to global energy markets, with the ultimate objective of generating value for all its stakeholders at the same time as competitively satisfying future global energy demands.

5,737 million euros invested.

Value creation.

Repsol YPF qualified as "Best in Class" for its climate change strategy based on **Climate Leadership Index**.

Climate change.

2.5 on the 2006 Frequency Index for own personnel, a 28% reduction from 2005.

Our commitment to safety.

Diversity Project underway.

Ethical behaviour in our relations.

763 social commitment actions.

Dialogue and commitment to the community.

Second survey on **climate in the workplace**.

Our people, our competitive advantage.

Work plan defined for the forthcoming years.

Biodiversity, a treasure that we must take care of.

360 million euros in environmental investments and expenses.

Environmental management and efficient use of resources.

Repsol YPF, leader in **biofuel** development.

Technology at the service of persons, products and the environment.

Average hydrocarbon production reached the equivalent of **1,128,300 barrels** of oil per day.

Ensuring the supply.

World Energy Outlook 2006

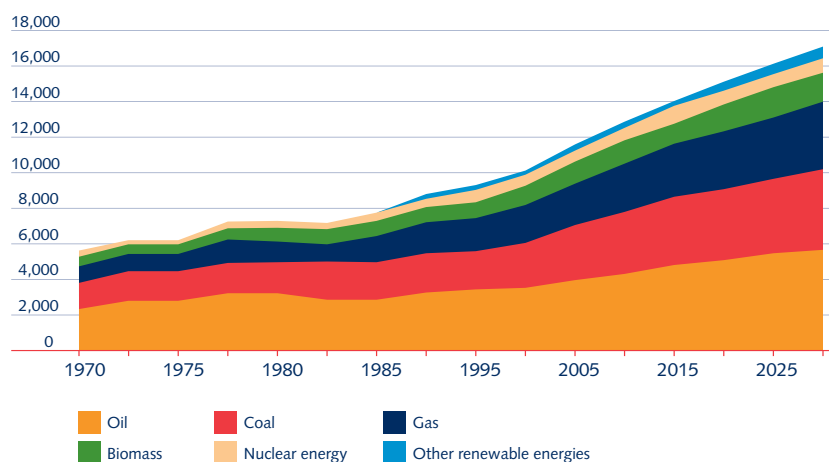
At the request of the G8 representatives, the International Energy Agency put together the World Energy Outlook 2006 report, which examines two possible scenarios of global energy market evolution. One is based on the present political and economic models, and the other is characterized by policies and behaviour looking towards a new sustainable energy market, currently being studied in various countries.

In the present scenario, the global demand for primary energy will increase by over 50% by 2030, at an average rate of 1.6% each year. More than 70% of the increase in this demand in the timeframe considered will come from emerging economies, with China alone representing 30% of it. In general, fossil fuels will continue to be the principal energy source until 2030. If this present scenario does not change, fossil fuels will represent 83% of the total increase in demand from 2004-2030. If left uncontrolled, the continuing rise in demand for oil and gas will increase consumer countries' vulnerability in the face of instable supply lines and resulting price increases.

Considerable investment in supply infrastructures will be required in order to tackle this demand for energy. It is estimated that approximately 4,000 million dollars investment is needed in the oil sector, three quarters of which would be for exploration and production. However, it is still uncertain that large petrol and gas producers are able and willing to make these investments so as to satisfy the growing global demand. In the present scenario, the CO₂ emissions will rise by 55%, 1.7% each year, between 2004 and 2030. Emerging countries will be responsible for more than three quarters of this increase. Emissions will reach 40,000 million tonnes by 2030, 14,000 million more than in 2004. The effects for the global climate would be irreversible.

According to this study, the trends described in the present scenario could be changed. Joint government action, via policies presently being studied in a number of countries, to ensure supply and reduce CO₂ emissions could steer these forecasts towards a more sustainable energy scenario. In this alternative scenario, by 2030, the demand for global primary energy would be

Global evolution of the demand for energy
(million tonnes equivalents)



Source: International Energy Association

reduced by 10%, and CO₂ emissions by 16%, compared to present levels. One of the key results of the alternative scenario is that the new policies and behaviour analyzed in the study would lead to a financial saving higher than the consumer's investment costs.

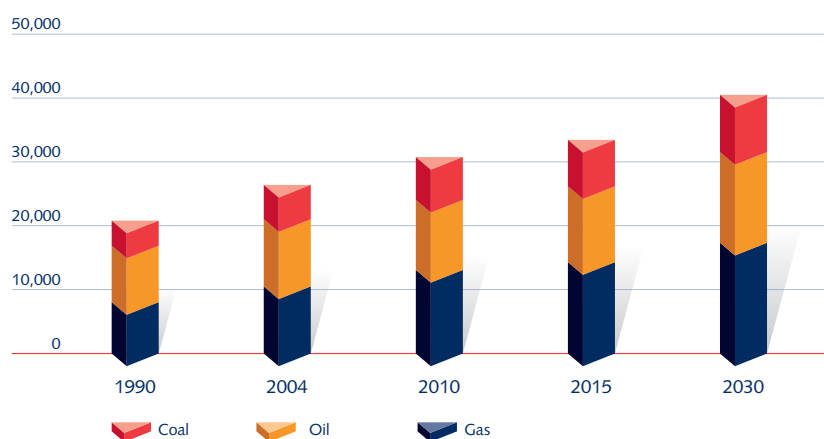
Naturally there are significant obstacles to making this change. In practice, strong political will be needed to apply these measures, many of which will bring consumer and industry interests into opposition. For this reason, governments need support from the private sector and international collaboration. Thus, while the majority of investment will necessarily come from the private sector, it is the government's task to create the conditions in which these investments can be made. In any case, even if Governments managed to tackle the aforementioned challenges with energy policies that limited energy imports and emissions, both of these would still continue to rise. For this reason, for a more sustainable future, a wide range of technological development programs are needed, many of which are already available or soon to be released into the market.

For example, the contribution of biofuels is directly linked to new technologies. Biofuels are directly contributing towards satisfying demand in the transport sector, particularly in the US, European and Brazilian markets. New technologies play a fundamental role in the diffusion of these fuels, contributing to efficiency and cost reductions in their production.

Another critical objective is to transfer new technologies and work in developing countries. Nearly 2,500 million people are still totally dependent on very inefficient traditional forms of energy. As recognised in the Global Sustainability Summit in Johannesburg, it is thus necessary to promote access to modern and affordable energies in these countries, if we hope to meet the United Nations Millennium Goals.

For more information visit:
<http://www.worldenergyoutlook.org/>
<http://www.iea.org/>

CO₂ emissions by fuel type (million tonnes)



Source: International Energy Association

Our company



Consolidated financial highlights

(million euros)

	2004	2005	2006	06/05%
Income from operations	4,686	6,161	5,911	(4.1)
Net income	2,414	3,120	3,124	0.1
EBITDA	7,297	9,139	9,053	(0.9)
Operating revenues	40,292	51,045	55,080	7.9
Investments	3,747	3,713	5,737	54.5
Net debt	5,398	4,513	4,396	(2.5)
Number of employees	33,337	35,909	36,931	2.8

Operating highlights

	2004	2005	2006	06/05%
Oil and gas production (thousand boepd)	1,165.8	1,139.4	1,128.3	(1.0)
Oil and gas product sales (thousand tonnes)	54,968	57,940	58,732	1.4
LPG sales (thousand tonnes) ⁽¹⁾	3,217	3,343	3,725	11.4
Petrochemical product sales (thousand tonnes)	4,104	4,644	4,778	2.9
Natural gas sales (thousand of millions m ³)	32.85	36.11	36.20	0.2

(1) In 2006 LGP reported sales included wholesale sales in Argentina.

Exploration & production**Operating highlights**

	2004	2005	2006	06/05%
Net liquids production (thousand boe)				
Spain	1,373	880	729	(17.2)
Argentina, Brazil and Bolivia (ABB)	156,728	145,535	139,167	(4.4)
Rest of the world	49,540	47,453	51,802	9.2
Total crude	207,641	193,868	191,698	(1.1)
Net natural gas production (million cubic feet)				
Spain	-	2,125	1,656	(22.1)
Argentina, Brazil and Bolivia (ABB)	891,562	889,139	881,645	(0.8)
Rest of the world	338,288	355,368	352,841	(0.7)
Total natural gas	1,229,850	1,246,632	1,236,142	(0.8)
Total production*	426,671	415,886	411,848	(1.0)

* Thousand boe. Gas to oil equivalent conversion factor: 5,615 (standard cubic feet for gas per barrel of oil equivalent).

Chemicals**Operating highlights**

(thousand tonnes)

	2004	2005	2006	06/05%
Capacity				
Base petrochemicals	2,717	2,717	2,819	3.7
Derivative petrochemicals	4,654	4,655	4,677	0.5
Total	7,371	7,372	7,496	1.7
Sales by market				
Spain	1,342	1,481	1,560	5.4
Argentina, Brazil and Bolivia (ABB)	909	1,102	1,067	(3.2)
Rest of the world	1,853	1,853	2,151	16.1
Total	4,104	4,644	4,778	2.9
Sales by product				
Base petrochemicals	420	979	936	(4.4)
Derivative petrochemicals	3,684	3,665	3,842	4.8
Total	4,104	4,644	4,778	2.9

Refining & marketing**Operating highlights**

	2004	2005	2006	06/05%
Feed stock processed (million tonnes)				
Crude	54.9	55.3	56.1	1.3
Other loads and raw materials	5.2	5.4	5.8	7.2
Total	60.1	60.7	61.8	1.8
Production (thousand tonnes)				
Medium distillates	26,178	26,752	27,529	2.9
Gasoline	11,796	11,915	11,783	(1.1)
Fuel Oil	8,224	8,419	8,280	(1.6)
LPG	1,691	1,646	1,596	(3.1)
Asphalt	1,650	1,619	1,825	12.7
Lubricants	476	441	444	0.7
Others (excluding petrochemicals)	3,220	3,132	3,493	11.5
Total	53,235	53,924	54,949	1.9
Product sales (thousand tonnes)				
Gasoline/Kerosene	29,465	31,366	32,224	2.7
Gasoline	10,148	10,831	10,662	(1.6)
Fuel Oil	8,118	8,208	8,530	3.9
LPG ⁽¹⁾	3,217	3,343	3,725	11.4
Rest	7,237	7,535	7,317	(2.9)
Total	58,185	61,283	62,457	1.9
Sales by region (thousand tonnes)				
Spain	34,983	35,552	35,977	1.2
Argentina, Brazil and Bolivia (ABB)	15,533	16,284	16,886	3.7
Rest of the world	7,668	9,446	9,594	1.6
Total	58,185	61,283	62,457	1.9

Highlights include 30% of the REFAP refinery (Brazil) and 50% of the Refinor refinery (Argentina).

(1) Wholesale sales in Argentina are included in LPG from 2006; until now they were included in oil product sales.

Gas & power**Operating highlights**

(bcm)

	2004	2005	2006	06/05%
Natural gas sales				
Spain	20.99	23.36	23.11	(1.1)
America	7.92	8.59	9.19	7.0
Rest of the world	3.94	4.16	3.90	(6.3)
Total	32.85	36.11	36.20	0.2

Incorporating 100% of Gas Natural sdc sales.

Repsol YPF in the world



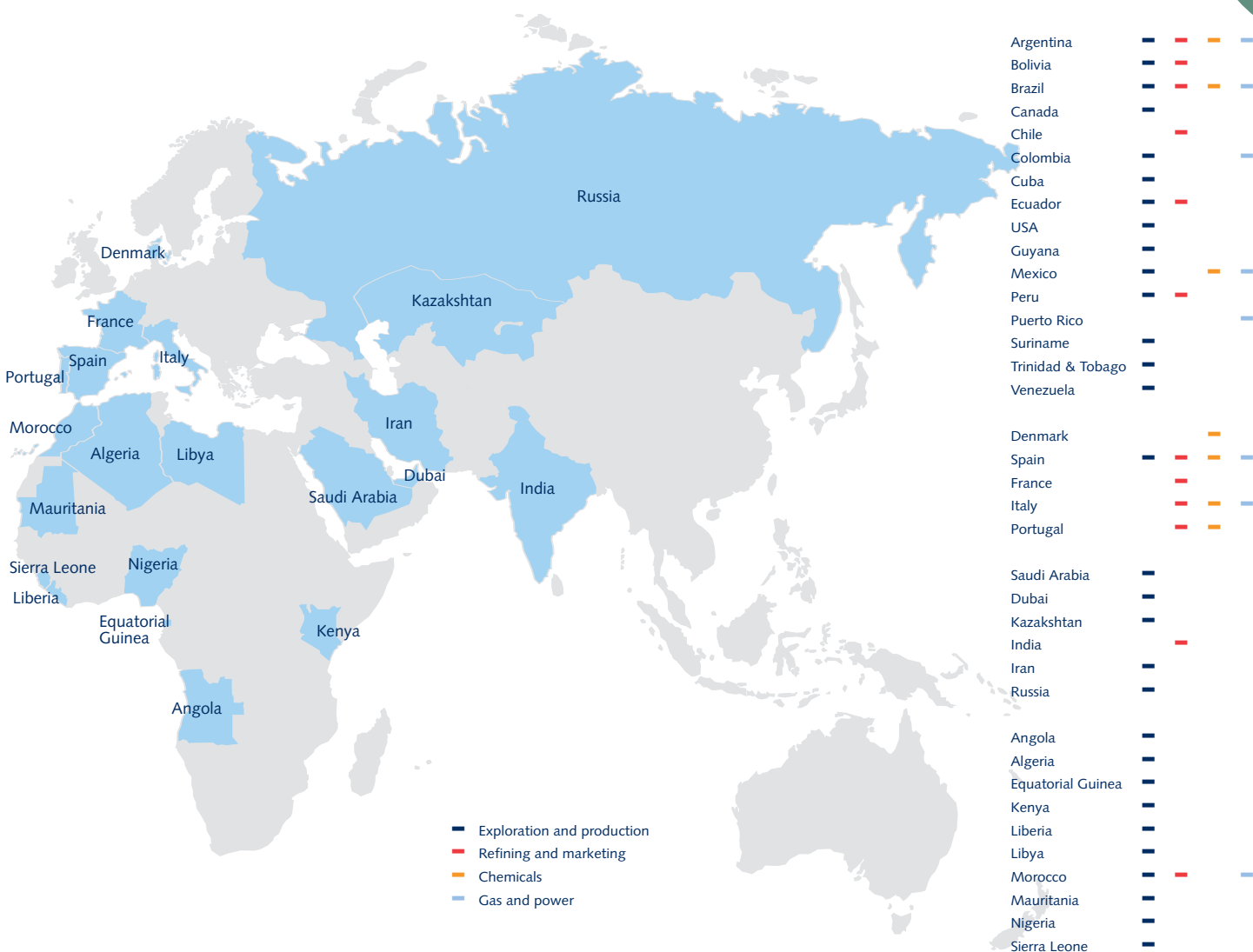
The countries identified on the map point Repsol YPF's presence. However, Repsol YPF's presence in these countries does not necessarily reflect the coverage depicted in the chapter 3 "About this report".

Income from operations

	2004	2005	2006
Exploration and production	3,062	3,246	3,286
Refining and marketing	1,585	2,683	1,855
Chemicals	262	308	353
Gas and power	310	389	469
Corporation and others	(533)	(465)	(52)
Total	4,686	6,161	5,911

Investments

	2004	2005	2006
Exploration and production	1,185	1,948	4,062
Refining and marketing	1,311	995	966
Chemicals	292	170	222
Gas and power	777	457	328
Corporation and others	182	143	159
Total	3,747	3,713	5,737



Operating revenues

	2004	2005	2006
Exploration and production	8,302	9,203	10,454
Refining and marketing	32,815	41,298	48,191
Chemicals	3,025	4,186	4,669
Gas and power	1,991	2,765	3,308
Corporation and others	(5,841)	(6,407)	(11,543)
Total	40,292	51,045	55,080

Personnel

	2004	2005	2006
Spain	17,175	18,212	18,522
Latin America	14,578	15,562	16,241
Rest of the world	1,584	2,135	2,168
Total	33,337	35,909	36,931

2006 highlights

Company net income reaches 3,124 million euros

This sum constitutes a slight rise on the previous year's figures. As regards financial data, company earning per share and dividend rose 0.1% and 20% respectively, while financial debt reduced to 4,396 million euros and financial charges fell 33.2%.

A new tool for corporate responsibility strategic management: Corporate Responsibility Master Plan 2007-2009



The Master Plan will drive forward the company's key actions in the corporate responsibility field during this period of time. It establishes six strategic lines from which result nine action plans so as to respond to the corporate responsibility challenges faced by the company.

38 million euros for social investment and employee training

15% larger than the previous year, the investment went to promote more than 750 social programs as well as employee training and professional development.

Inclusion in the Dow Jones Sustainability Index

Repsol YPF joined into the exclusive Dow Jones Sustainability World index in 2006, following a rigorous evaluation process of its economic, environmental and social performance, and it keeps its place in the FTSE4GOOD.

New measures to improve maritime transport

2006 saw an update to Repsol YPF's vetting procedures. The purpose of this regulation is to check that the national and international regulation with regard to maritime safety and the prevention of marine pollution is met in all tankers that operate with or transport for the company, and/ or visit its terminals.

Leader in biofuel development



Repsol YPF is leading the PIIBE project (Research Project for the Promotion of Biodiesel in Spain), part of the Cenit program, and in

which 15 businesses and more than 20 public and private centres take part. Of a four year duration and with a budget of 22 million euros, the purpose of this project is to improve the production processes and widen the availability of local raw materials for biodiesel manufacture. Furthermore, the company has an ambitious biodiesel development plan that will result in a yearly production of more than one million tonnes per year in Spain.

28% reduction of the injure frequency

In 2006, own personnel lost time rate was 2.5, achieving a 28% reduction on the 2005 figure, and meeting our set objective.

Furthermore, a tool to manage and analyse effectively accidents and incidents was implemented company-wide over the year.

Committed to biodiversity



To make the biodiversity commitments assumed by the company become a reality, a work plan for the forthcoming years was designed in 2006 with four key action lines, based on the four principles upon which Repsol YPF's Position on biodiversity is developed. Its fundamental purpose is to progress with the defined strategic lines, introducing the concept of biodiversity into decision-making and planning processes, and project and operational development.

New actions in equal opportunities

Repsol YPF's Diversity Project was started up in 2006. As part of this project, Repsol YPF joined the Optima Program for Equal Opportunities in Enterprises in Spain, an initiative from the *Instituto de la Mujer* (Spanish Women's Institute). Repsol YPF has received recognition for these actions as a Enterprise Collaborating in Equal Opportunities.

The best company in the sector for transparency on the Internet

According to the Swedish management consultancy Hallvarsson & Hallvarsson ranking, Repsol YPF is the best European oil & gas company for transparency in the content of its corporate website. And for the third year running, Repsol YPF tops the ranking of the Ibex-35 corporate websites with the best information on its website.

Leader in its approach to climate change, according to institutional investors

Repsol YPF has been included into the Climate Leadership Index, and declared one of the best in its sector ("Best in Class") due to its strategy and transparency policy in the face of climate change. This Index represents 50 companies out of the 500 of the Financial Times Index chosen for their policy for climate change.

A new company in the Worldwide Business Council for Sustainable Development, WBCSD

In 2006 Repsol YPF joined the World Business Council for Sustainable Development (WBCSD), an organization consisting of over 180 international companies united to promote business leadership in the move towards sustainable development through corporate responsibility. Its members come from over 35 countries and 20 important industrial sectors.

Second survey on climate in the workplace

In September 2006, Repsol YPF launched the second edition of its Work Climate Survey in the workplace so as to measure the degree of general employee satisfaction and commitment. 81.5% of staff participated in the study, and its results show that 70% of employees are proud to form part of Repsol YPF.

Constitution of the Ethics Committee

2006 saw the creation of a communication channel to the Ethics Committee, through which everyone, not just employees, who wish to do so may send the Committee any query with regards to Repsol YPF's Ethics and Conduct Regulation, as well as communications regarding possible failures to observe or follow the conducts as described in said Regulation.

A more stable nucleus of shareholders

Sacyr Vallehermoso enters into Repsol YPF share capital with a 20.01% stake.



Relevant issues

<i>Value creation</i>	42
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Relevant issues

Value creation

5,737 million euros
invested in 2006.

55% increase compared
to 2005

15,218 million euros paid
in taxes

Repsol YPF plays a relevant role in the economic activity of the societies in which it operates. It facilitates and multiplies the activity of economic agents, contributing to the generation of economic wealth.

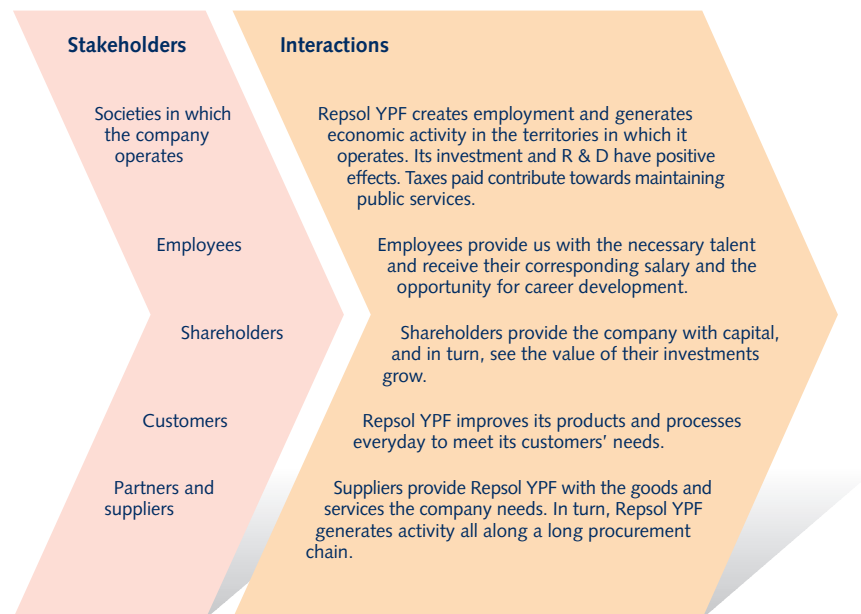
Through the salaries paid, the acquisition of goods and services, investment into R&D&I, or the suppliers training programs, among others, Repsol YPF generates positive economic effects all along its value chain. Investment is also a catalyst for the resources of the society or community that receives it. Investments normally bring with them direct or indirect employment creation and economic activity.

Through its tax payments, the company represents a source of financial resources that help to uphold public services in the societies in which it operates: on the one hand, through the payment of taxes and other direct economic obligations; on the other, indirectly, through the state contributions made by company employees, in the form of income or consumer tax, among others.

Thus, Repsol YPF distributes the wealth it generates among those who have helped to create it, producing flows of resources between the company and its stakeholders.

35,190 million euros,
volume of acquisitions
in 2006, including crude

72 million euros invested
in R&D&I in 2006



Value-generating interactions

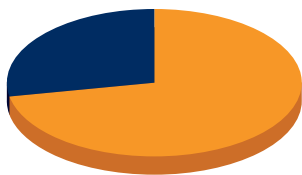
Value for the society as a whole

Repsol YPF creates value for the societies in which it operates. The taxes and levies paid and the resources given to support the community by Repsol YPF and its foundations are an approximate measure of this value.

In 2006, the amount of taxes paid by Repsol YPF in different forms reached 15,218 million euros.

Another aspect that contributes towards creating value for society is investment into Research, Development and Innovation, which as well as representing an investment for the company's future and creating value for customers, also generates positive external results for all society.

Breakdown of taxes paid in 2006



 Taxes collected (VAT, special taxes, etc): 72%

 Business and other tax (production etc): 28%

Internal opinion

"In Repsol YPF we believe that to assume society's concerns and expectations is a determining factor for optimizing the results of all our areas of activity.

We should not forget that stock markets are valuing more and more environmental, social, ethical and reputational practices, as a key indicator to assess the quality of a company's management and leadership. And this is a perception that institutional investors are undoubtedly now making their own.

For this reason, so as to carry out the commitment to create value for our shareholders, Repsol YPF must also show as one of the best energy companies in the world in terms of management of social, environmental, reputation and ethical issues.

In Repsol YPF we wish to transmit our message of social commitment to the markets, and to see our effort rewarded."

Fernando Ramírez

Group Managing Director of Finance and Corporate Service

Repsol YPF is included in the Dow Jones Sustainability Index

Having exceeded the economic, environmental and social action criteria set by SAM (Sustainability Asset Management), Repsol YPF was included in the Dow Jones Sustainability Index World and Dow Jones Sustainability Index STOXX. The DJSI World comprises more than 300 companies that represent the top 10% of the leading sustainability companies out of the biggest 2500 companies in the Dow Jones World Index. This situates Repsol YPF within the 10% of the most advanced global companies for their corporate responsibility practices.

The company joined for the first time both indexes obtaining the best sector score in matters such as transparency, eco-efficiency and the human capital development. It also received an outstanding score for its relations with the communities in the countries in which it operates. Only eleven oil and gas companies belong to the world index, a fact that endorses the company's policy of maximum transparency and rigour.



	Repsol YPF	Sector Average	Sector Leader
Score	76%	52%	77%

For more information about see website <http://www.sustainability-indexes.com>

1,674 million euros
in staff costs

36,931 employees across
the world

1,022 people,
staff increase

Repsol YPF invested 72 million euros into R&D&I during 2006, which constitutes a 15% change compared to 2005.

R&D&I is an effort the company makes for its own future, investing into the processes and products that will make up Repsol YPF's product portfolio and way of doing things. In addition, in that a good part of R&D&I projects are developed collaborating with third parties, these activities generate beneficial external effects to all society. In 2006, nearly 170 projects were carried out in collaboration with universities, businesses and other centres.

It is also worth highlighting Repsol YPF's direct investment into communities in 2006. Its social investment, as laid out in social and cultural programs, rose to 25.4 million euros.

Its reference is the consequence of the UN Millennium Development Goals as the mould of the contribution to the resolution of the challenges which effect society as a whole.

Value for people

Repsol YPF employees receive consideration for their work in the form of wages and salaries. Employee wages are based on two factors; on the one hand, wages are competitive, appropriate for the specific posts, and oriented so that Repsol YPF is seen as a company for which the best professionals would like to work. On the other hand, the wages of the majority of employees are structured on a management by commitments system. Thus part of the salary is offered in a variable form, which allows merit to be rewarded.

During 2006, Repsol YPF generated more than 1000 net posts, increasing the percentage of fixed contract employees to almost 90% of the total staff.

Repsol YPF employees also receive, apart from their salary, social benefits that go beyond legal requirements, such as pension plans, insurance and medical aid.

The net effect of the positive effects brought about by Repsol YPF activity is also seen in the generation of a large number of indirect jobs. Whenever Repsol YPF makes an investment, it generates additional activity in those businesses that form part of its procurement supply chain. In their turn, these must increase their activity to meet these new demands, and all of this amounts to the generation of new employment as well as investments in Repsol YPF's own suppliers.

Value for shareholders

Shareholders represent those groups and people who deposit their confidence in the company's performance. Repsol YPF pursues shareholder value creation thanks to sustained value growth, guaranteeing management transparency and good corporate governance.

Both the increase in value of shares as well as dividend distribution have direct impact on shareholder's wealth.

In 2006, Repsol YPF was chosen as a constituent company included on the most important market indices for corporate responsibility, the Dow Jones Sustainability Global Index and FTSE4Good. In order to form part of both these indices, the constituent companies must prove themselves capable of advanced practices in every aspect of corporate responsibility. Both acknowledgements situate Repsol YPF within the most advanced companies in the sector.

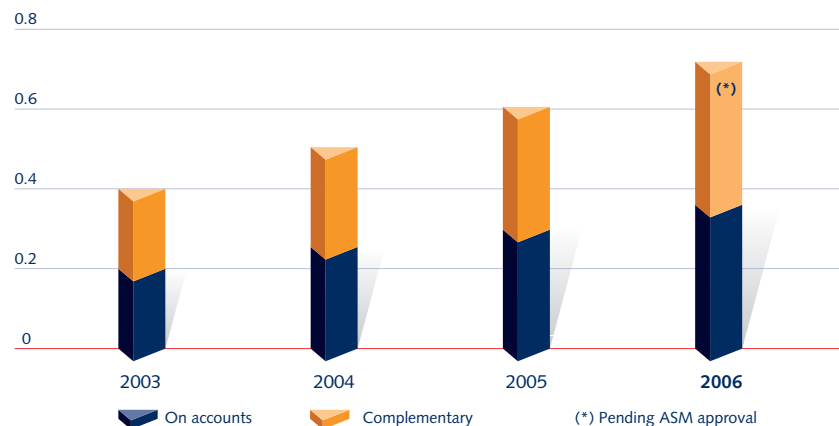
Repsol YPF's inclusion in these well known corporate responsibility indexes proves Repsol YPF's positive commitment to management in accordance to the values of the society in which it operates, and its vision of long term value creation.

879 million euros in dividends from fiscal year (Complementary to 0.36 euros/share pending Annual Shareholders' Meeting approval)

69.5% improvement in Repsol YPF market capitalization in the last 3 years

13,112 million euros of shareholder value created in the last 3 years

Dividend distribution per fiscal year (euros/share)



More than 6,000 service stations worldwide

Value for customers

One of Repsol YPF's reasons for success lies in the proximity and accessibility it can demonstrate in its customer relations. Repsol YPF products are sold in over 6000 points of sale fundamentally distributed in the Iberian Peninsula and Latin America. Proximity means better service, as well as giving Repsol YPF a better knowledge of the present and future needs of its customers. On the other hand, proximity helps determine consumer habits, thus facilitating the development of products and services that best respond to customer needs.

An excellent quality service fosters a climate of trust with customers, which enables the possibility of maintaining an open and continuous dialogue and improving customer loyalty. In another way, product research, development and innovation is positively influenced by this dialogue, as the products developed focus even more specifically on the customers, and their requirements are better understood.

Value for partners and suppliers

Repsol YPF's procurement supply process is designed on the premises of respect and equal opportunities for all suppliers and providers, and with a view to establishing mutually beneficial relationships. All this redounds in better management of risks in the procurement supply chain, as well as improvement of conditions and social, ethical and environmental impacts of Repsol YPF and its suppliers.

Repsol YPF sets aside considerable resources to provision of goods and services it needs to carry out its production. During 2006, the total volume, excluding acquisitions of crude, reached 6,672 million euros.

76% of Repsol YPF's procurement was originated from local suppliers, creating value in the communities in which Repsol YPF operates.

6,672 million euros in acquisitions of goods and services spent on procurement in 2006

Corporate responsibility as part of the general purchasing and contracting conditions of the Repsol YPF Group

The general purchasing and contracting conditions are the key document that sets out the conditions and commitments established by Repsol YPF and its suppliers and contractors at the time of forging a commercial relationship. These conditions are not global, but rather, Repsol YPF adapts them to the different realities of the countries in which it operates. In all cases, the conditions set out the social, environmental and ethical commitments that Repsol YPF suppliers and contractors must meet. One of the supplier/contractor obligations, and as a general rule, is that the supplier/contractor must fulfil the Fundamental Conventions of the International Labour Organization (ILO) in regards to labour rights. In addition, the supplier or contractor must meet all those requirements regarding the environment, health and safety currently in force and applicable, and in any case, those established in the Repsol YPF Group's regulation and internal practice.

For more information visit
<http://www.repsolypf.com>

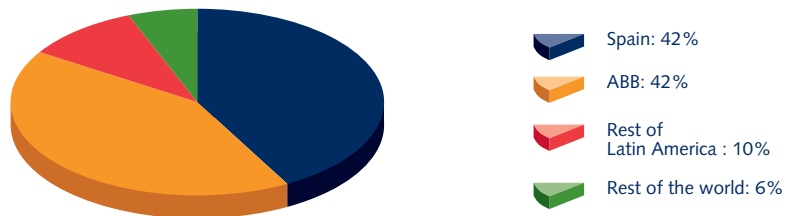
All this is carried out within a framework of impartiality and objectivity in the supplier selection processes. The company has a supplier's qualification system set up which allows it to choose those who meet the requirements needed to work with Repsol YPF. During the initial investigation, Repsol YPF takes into account, among other points, whether the company has set up quality, environmental and safety systems. Thus the general purchasing and contracting conditions are established.



The creation of a stable relationship framework with its suppliers allows Repsol YPF to generate mutual benefits. A stable and trusting relationship with society as a whole and with suppliers in particular makes for a reduction in procurement risks, as well as a costs reduction, and improved social and environmental practices in suppliers. All this has a positive effect on the generation of tangible and intangible assets for Repsol YPF.

In all the countries where Repsol YPF carries out significant procurement, the general purchasing and contracting conditions include the obligation of suppliers and contractors to meet International Labour Organization (ILO) requirements with regard to labour rights, as well as current legislation regarding safety, health and the environment.

Goods and services acquired distribution in 2006



Distribution of goods and services acquired in 2006

	Total	Local	%
Spain	2,199	1,414	64
Argentina, Brazil and Bolivia (ABB)	2,247	1,999	89
Rest of Latin America	503	423	84
Rest of the world	309	184	60
Total	5,258	4,020	76

Estimated figures for 80% of the supplied volume of goods and services.

Climate change

Climate change is one of the most important challenges for the XXI century, and a global risk whose impact that goes beyond just the environment. The way in which governments, the public sector and society in general tackle the solutions to this problem will be a definitive measure of society's capacity to manage sustainable development. Fighting against the risks of global warming is not a responsibility that can be simply and exclusively assigned to governments or the private sector. It is an integrated problem that requires global solutions. For this reason, it is necessary to focus climate change management in an integrated manner.

Our strategy is based on a carbon management that bears in mind markets, Clean Development Mechanism and direct reductions



During 2006, events have continued to advance very rapidly. The Kyoto process has been in force for a year and the European Emissions Market, the largest global market, has had a problematic year in terms of european emission rights quotations.

In additional, the international debate on what measures to take and the speed at which they should be implemented has continued to rage. The Stern Report contributed decisively to this debate, promoted by the British government, whose objective was to attempt to estimate the impact of climate change on the world economy and to gauge financially the cost of the measures needed to mitigate it.

Repsol YPF assumes its share of responsibility in the resolution of the problem, and looks for solutions that allow it to lessen its impact on the climate change phenomenon.

More information on the Stern Report in http://www.hm-treasury.gov.uk/independent_reviews/

Our strategy, carbon management that takes all variables into account: markets, the Clean Development Mechanism (CDM), and direct reductions

Repsol YPF has designed its carbon strategy taking all variables into account: performance in emissions markets, involvement in the Clean Development Mechanism projects markets through the acquisition and internal promotion of this type of project, as well as the direct reduction of emissions.

In this strategy, emphasis has been put on the direct action on the company's own emissions, starting up actions to reduce them and reinforcing the already existing energy efficiency programs. Another key action in carrying out this strategy is

External opinion

"Global warming and with it the changing of existing weather patterns ensure that climate change issues are on top of the international agenda. Greenhouse gas (GHG) emissions will have to be stabilized and reduced in the future in order to limit the adverse impacts of global warming. Time is pressing because the technology choices made today will determine the GHG emission levels and the climate change effects for the decades to come.

The carbon-constrained economy is the economy of the future, and businesses have to prepare themselves to this changing environment, which demands from companies to craft practical solutions while moving them into unknown, dynamic, complex and competitive territories. The transformation to sustainable economies will not be easy. It will create winners and losers and only those companies that take climate change seriously will be on the winning side.

Only the identification of GHG mitigation options as well as the development and deployment of low carbon technologies will ensure that businesses retain their "licence to operate". But no single solution will trigger the transition over the coming decades. An integrated portfolio of technologies, policies and mechanisms will be required.

Addressing climate change does not only protect the environment but also makes perfect business sense by creating competitive advantages and preparing the company for a future characterized by greater uncertainty."

Stefanie Held

Program Director Energy and Climate Focus Area (World Business Council for Sustainable Development)

Internal opinion

"Repsol YPF publicly formalized its position on Climate Change in 2002, while uncertainties existed on the validity of the Kyoto Protocol. This way, Repsol YPF expressed its formal vision of the Climate Change phenomenon as a global challenge for all society, as well as Repsol YPF.

In order to make our compromise a reality, the Carbon Management Plan was developed and put to work in 2003. Said plan established an action plan, such as the search for emission reduction in all the company operations and installations, the integrated management of emissions and the utilization of the Flexibility Mechanisms contemplated in the Kyoto Protocol.

One key element to note in the development of the Carbon strategy, is the Catalogue of Emissions Reduction Opportunities (CERO) where the actions of energy reduction and efficiency taken on by the business units of the company are consolidated. Repsol YPF is ambitious in regards to accomplishing the targets set as a result of the initiated actions for the development of Clean Development Mechanisms projects (CDM).

The management of Climate Change on part of the energy companies is constantly evolving to greater detail on the demand of the interested parties: market analysts, investment funds, shareholders and society in general.

The challenge is important and we will continue on the path initiated in 2002 convinced that it is the most adequate strategy for Repsol YPF and society in general".

Cristina Sanz

Corporate Director of Resources



*For Repsol YPF,
the CDM is an
effective option
for technology
transfer and a
mobilized
mechanism
in order to find
and implement
reduction projects*

involvement in the debate on searching for solutions. Repsol YPF participates in forums with the Government and other sector companies, putting forward ideas and practical solutions.

The company has continued operating in the CO₂ markets. Fruit of this activity is the start of operations in the European Climate Exchange (ECX), an electronic exchange platform for futures with emission rights, in which standard, guaranteed EU Allowance (EUA) contracts can be bought and sold for use in the future. In 2006, the ECX obtained 41% quota of the total emissions rights market, with the volume of operations carried out on the platform rising to 452 million tonnes. In 2007 a significant growth in EUA volume is foreseen. Participation in the ECX is of great value to Repsol YPF in its performance in the Greenhouse Gases markets, allowing it access to more liquid markets.

Another action point to highlight in the aforementioned Carbon Management Plan is the incorporation into Carbon Funds that develop Clean Development Mechanism (CDM) projects. This year, in 2006, Repsol YPF joined the Spanish Carbon Fund. Both the private and public sector participate in this Fund, which is administered by the World Bank in the name of the Spanish Government. The purpose of the Fund is to acquire greenhouse gas emission reductions coming from Clean Development Mechanism projects using renewable energy, energy efficiency programs, biomass and agricultural waste projects, urban waste management, industrial processes such as HFC-23 and N₂O destruction, and those which contribute to sustainable development in developing countries and transforming economies. The Fund aims to acquire a minimum of 34 million tonnes of CO₂eq, thus helping to meet the objective of reducing Spain's emissions and meeting the commitments of Spanish companies at a competitive price.

Repsol YPF has continued to bring ideas to the debate about how to configure markets and the different alternatives, for example, in its involvement in the CO₂ Expo (Barcelona, May 2006), a yearly conference organized by the Fundació Fórum Ambiental whose purpose is to be the principal meeting point in Southern Europe for players in the Greenhouse Gases market. Repsol YPF, alongside other private and public entities, has participated from the start in this initiative, sharing market information and carbon management strategies.

During 2006, Repsol YPF continued to concentrate its efforts in the verification and monitoring of CO₂ emissions in the company's industrial facilities affected by the European Emissions Market. This first verification is carried out by internal audits, previous to the official yearly verification which establishes the quantity of CO₂ emissions, each of which then needs to be tackled. The company has a team of specialist internal auditors to carry out this task.

Repsol YPF considers CDM to be an efficient technological transfer method and a mechanism that mobilises organizations in the search for and implementation of reduction projects. This support of CDM has been demonstrated in various forums, such as the that held in Antigua (Guatemala) last November, "The Analysis of the opportunities and obstacles to clean energy development mechanism projects in Latin America", which brought together energy operators and regulators from across the region.

Repsol YPF aims to generate a portfolio of internal CDM projects which allow it to achieve reductions in its own facilities and thus promote their associated energy efficiency improvements. A Catalogue of Emissions Reduction Opportunities (CERO) has been created in order to obtain this project portfolio, updated on a yearly basis, and in which all Company Units contribute with their different project proposals. Once a project chosen from CERO is registered, a detailed technical analysis is carried out to ascertain its viability and proceed to its implementation.

In addition the different company business lines have continued introducing in new project evaluation the cost per ton of CO₂ (the only GEI included to the moment in the european commerce emission system).

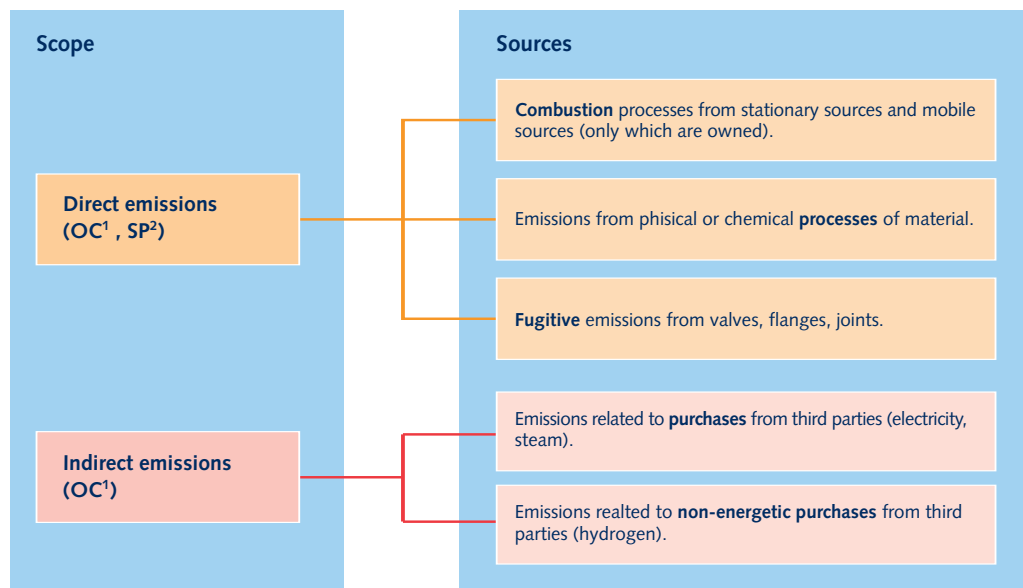
Another line of action to reduce emissions in the company's own plants lies in the development of R&D technological programs with reduced CO₂ emissions. One of these R&D actions is the development of alternative fuels (see chapter "Ensuring the supply"), moving away from the use of fossil fuel. The expenses for 2006 on Technology projects associated to alternative fuels were 2,525,000 euros. The main projects upon which the company is focusing its efforts have been biodiesel projects in Argentina, the analysis of BTL (Biomass to Liquid)/GTL (Gas to Liquid) options at a global level, and a production and distribution project for Hydrogen for Fuel cells in Spain, as part of a European project. The most significant action



was Repsol YPF's participation in the Research Project for the Promotion of Biodiesel in Spain (PiIBE), part of the CENIT Biodiesel project. This Europe-wide project, led by Repsol YPF, looks to develop technology that will contribute to GHG reduction, as well as to foster diversification of energy sources so as to reduce dependence on imported oil & gas products.

To this end, Repsol YPF acquired 140,000 tonnes of bioethanol in 2006, which made 300,000 tonnes of ETBE (etil ter-butil eter) that were added to gasoline blending with the aim of increasing the biofuel contribution to the total fuel that Repsol YPF placed on the market, and thus progressing towards reaching the objective proposed by the National Renewable Energy Plan.

Greenhouse gas emissions inventory



¹ OC: Emissions according to operating control criteria

² SP: Emissions according to shareholder participation criteria

Another aspect of technological investment related to mitigating the Climate Change phenomenon is carbon capture and sequestration. In this case, Repsol YPF invests in developing this technology so as to make it accessible and achieve its implantation on an industrial scale. With this purpose in mind, Repsol YPF participated in the foundation of the CO₂ Spanish Technological Platform in 2006. Its objective is to contribute towards the improvement of energy efficiency and the development of capture, storage and CO₂ usage technologies, and for their implantation within the industry, in order that Spain may meet its emission reduction commitments.

This technological platform is made up of businesses, public investigation bodies and technological centres (CIEMAT, INCAR, IGME), public entities (The Spanish Office for Climatic Change) and other social agents. One of the main actions that took place in 2006 was the presentation of the platform to the three ministries related to

CO₂ emissions and technological policies, namely the Ministry of Industry, Commerce and Tourism, the Ministry of the Environment and the Ministry of Education and Science. The result of these meetings was an agreement to carry out a coordinated action plan to drive forward CO₂ capture and storage technological development.

2006 results

Greenhouse gas emissions (GHG) inventory

Following the GHG emission notification guidelines recommended by IPIECA (International Petroleum Industry Environmental Conservation Association), API (American Petroleum Institute) and OGP (International Association of Oil and Gas Producers), Repsol YPF notifies and accounts for direct CO₂ and CH₄ emissions, as well as indirect CO₂ emissions.

Direct GHG	<i>(million tonnes) (operating control criteria)</i>				
	2002	2003	2004	2005	2006
CO ₂	20.684	21.249	21.548	23.007	23.661
CH ₄	0.058	0.104	0.086	0.128	0.135
CO₂ equivalent	21.90	23.43	23.35	25.70	26.49

Repsol YPF creates out its direct GHG emissions inventory with two focuses:

- i) Inventory following operating control criteria, which follows the general reporting criteria of this Corporate Responsibility Report (see section "About this Report"), which means emissions coming from subsidiary companies where Repsol YPF is majority shareholder and/or has operating control. Emissions from facilities within the European Emissions Market have been accounted for following Directive 87/2003, and in accordance to approved inventory methodologies.
- ii) Inventory following shareholder participation criteria, in that emissions coming from company activities are accounted for according to the proportion of shares held by Repsol YPF in each one of the companies.



Direct emissions

Emissions from facilities in which Repsol YPF has operating control

In order to establish shared bases for comparisons over time that allow the evolution of a company's GHG emissions to be determined, one needs to be able to adjust emissions from previous years in accordance with any changes in the company's assets structure. The basic change criteria are put forward in the aforementioned "Oil industry guidelines for greenhouse gas emission notification" (API/IPIECAOGP).

When consolidating the GHG inventories, 2006 is the first year that the TSP (Teak, Samaan, Pou) in Trinidad and Tobago offshore facilities are included in the report. At the same time, some of the Upstream operations in Venezuela (Mene Grande, Quiamare La Ceiba, Guárico Occidental and Quiriquire) have ceased to form part of the inventory. Emissions for previous years to 2006 (starting in 2002) have been adjusted accordingly.

Repsol YPF, a leader in the fight against climate change in 2006 according to the Carbon Disclosure Project (CDP)

The Carbon Disclosure Project (CDP) is an initiative aimed to coordinate the largest collaboration effort between institutional investors ever made, in which each sign a global petition for the communication of information regarding greenhouse gas emissions and the implications of all businesses on climate change.

The CDP reports have been prepared by Innovest Strategic Value Advisors, an international firm dedicated to investment research and consultancy, specialized in the analysis of the behaviour of companies in environment and social terms, and strategic governance. Each year, it creates a report in which it analyses company responses, offering information that aims to help institutional investors assess to what degree companies are tackling climate change and the financial implications of this. Subsequently, it creates the Climate Leadership Index (CLI), an index in which appear the best positioned companies in terms of how they respond to the financial implications of climate change.

The CDP evaluates the criteria that represent the greatest impact on climate change due to its activity, as well as investment into new emission reduction technologies, emission management and inventory reporting, and investment into savings plans or energy efficiency measures. At the same time, it evaluates each company's management strategy to adapt itself to climate change as well as the financial risks and opportunities that this presents.

Repsol gained a score of 85 out of 100 in 2006, and consequently qualified as "Best in Class" for its approach to climate change. Repsol YPF has been recognised for its strategy, for its assessment of the risks implied by climate change for its operations, as well as for the quality and effectiveness of the plans and programs it has implemented to reduce greenhouse gases. This milestone confirms Repsol YPF as one of the best oil companies in the sector for its strategy and transparency policy in this field.

In 2007, the CDP questionnaire was signed by 280 investors with assets of over 41 billion dollars, and sent to 2400 companies, one of which was Repsol YPF, on 1st February. Its responses will be published on its Website in September 2007.

For more information visit <http://www.cdproject.net/climateleaders2006.asp>

CO₂ emission have increased by 2.8%. The increase is concentrated in the Downstream area, and mainly in two industrial centres, the Petronor refinery (Spain) with a 0.259 million tonnes output, principally due to the activation of new units needed to adapt fuel specifications, and to a lesser degree, the increased activity, and in the La Plata Refinery (Argentina), with an output of 0.128 million tonnes as a result of a 4% increase in production and a change of fuel usage.

Nevertheless, the energy efficiency programs implemented in refining have allowed us to avoid the emission of 0.23 million tonnes of CO₂ in 2006, and to improve the ratio of CO₂ tonnes/tonnes of crude in all the Spanish refineries, to nearly 4% in some cases. In the same way, the reduction of 0.352 million tonnes in the Downstream area within chemical activities worldwide is also notable.

In Upstream, emissions increase is a result of the implementation of new facilities such as Termobarrancas (Venezuela), with a 0.477 million tonnes output, and the production of new oil fields in Colombia, with a 0.046 million tonnes output.

In the case of CH₄ emissions, the increase is above all a result of all Upstream operations in Ecuador, with an increase of 0.005 million tonnes, and of Argentinean operations that have increased by 0.003 million tonnes, resulting from operative issues.

Energy consumption

	2002	2003	2004	2005	2006
Fuels (million tonnes)	5.81	6.07	6.44	6.46	7.04
Electricity (10 ⁶ MWh)	3.68	3.69	3.70	3.84	3.70
Total energy consumption (10 ⁶ GJ)	270.73	283.73	294.25	294.54	324.49

Emissions from facilities according to shareholding criteria

In this case, Repsol YPF will notify the GHG emissions coming from its activities in accordance to the proportion of shares it holds in each. Following this criteria, this activities produced a total of 27.18 million t CO₂eq in 2006.

Indirect emissions

As well as its direct emissions, Repsol YPF also reports annually its indirect emissions, namely, the emissions that are the result of the company's own activity, but which come from sources owned or controlled by third parties. There are two fundamental types of indirect emissions in this category:

- Emissions associated with external energy acquisitions (power or water vapour). These emissions increased by 1.55 million tonnes of CO₂eq in 2006.
- Emissions coming from hydrogen manufacture and transport imported for the company's oil refineries. A total of 0.68 million tonnes of CO₂eq was emitted in 2006.

Energy consumption

In the table above an historic evolution of the fuel consumption, the power acquisition, as well as the total energy consumption is detailed.

The increase in fuel consumption and energy consumption are principally due to the incorporation of new centre, the majority of these in the exploration and production field.



Our commitment to safety

Attention to safety is central to the management of the company's activities. This principle is covered in the company's Strategic Vision, within the commitment to "contribute to the sustainable development and improvement of the local environment, and to respect human rights, the environment and safety."

"We demand a high level of safety in processes, facilities and services, paying particular attention to the protection of employees, contractors, clients and the local surroundings, and we transmit this acting principle to the entire organization"

Repsol YPF's ethical values

One of Repsol YPF's objectives is to reduce to zero the number of accidents occurring in its operations through the continuous improvement of its safety activities.

In order to reach this objective, the Company dedicates numerous resources and effort into developing initiatives and programs.

Repsol YPF communicates its safety principles via its Health, Safety and Environment Policy, updated in 2006, which is put into practice in all company activities.



External opinion

"As an inspiring and strategically important development, corporate social responsibility (CSR) is becoming an increasingly important priority for companies of all sizes and types.

Occupational safety and health (OSH) is a corner stone of CSR and this presents managers and OSH professionals with a variety of opportunities and challenges.

The concept of social responsibility is based on voluntary action addressing goals and actions clearly above the minimum levels of worker protection set out in EU and national legislation. Companies adopt socially responsible initiatives because it is in their long-term interest.

CSR is likely to bring OSH closer to other related issues such as, human resources; work and life balance; other fundamental rights at work; environmental issues; public safety and health (including product safety) and profitability and productivity.

With its focus on enterprises' stakeholders, CSR embraces both the internal needs of employees as well as the external needs of society. From an OSH perspective, this means both taking care of employees' safety and health in excess of legal requirements and considering external implications, such as using OSH as a criterion in the selection of services, subcontractors or in marketing.

CSR presents enterprises with an opportunity to raise their commitment to OSH. However, this means treading a careful path that builds upon existing achievements in OSH and avoids the pitfalls that might accompany the arrival of yet another management priority.

As the Director of the European Agency for Safety and Health at Work, I can say that we also support the integration of safety and health in the overall practice of corporate social

responsibility. And I think that oil and energy companies, as one of the "major hazards" sector, should make a special effort in this direction."

Jukka Takala

Director of the European Agency for Safety and Health at Work

Internal opinion

"Accident should be avoidable. At Repsol YPF the safety of the people, employees, contractors, clients or form the, surroundings, is one of the Ethical Assets from which we build the internal company's mutual confidence and towards the community. For this reason, we permanently work on the improvement of the management, incorporating the learned lessons and the best standards in the sector.

To move the safety and concrete actions strategy, we define annual safety objectives, which are established on a company global basis and deployed to the entire group placing the responsibility on each of the business lines. Additionally, all Repsol YPF employees with variable retribution tied to objectives performance have annual corresponding safety objectives set. This way, we share Repsol YPF objectives of this matter.

At Repsol YPF, we aspire to situate ourselves as a sector reference in the safety field and for that we will dedicate all of the necessary efforts and resources".

Pedro Fernández Frial

Executive Director of Downstream

Health, Safety and Environment Policy

Repsol YPF is committed to developing its activities deeming safety, people's health and the protection of the environment as essential values.

To reach this aim, Repsol YPF shall be led by the following principles:

- **Leadership and integrated management.** Management will take charge of the health, safety and environment programs, and will provide the necessary resources to ensure that all staff understand and work in accordance to the established principles. The chain of command will integrate the health, safety and environment policy into business management and will be responsible for applying its management and result monitoring systems.
- **Incorporating health, safety and environment criteria into every aspect of our activities.** Repsol YPF will keep health, safety and environmental criteria present in its strategy and in all its activities for as long as these may last, so as to prevent harm coming to any person or asset, and to minimise any impact upon the surroundings and the effects of climate change, respecting biodiversity and local communities.
- **Following regulation.** Repsol YPF will follow the legal regulations in force in all areas of its operation, as well as defining the necessary internal regulation through the establishment of shared standards of behaviour in matters of health, safety and

the environment, regardless of the geographical area in which it may be operating.

In the same way, it will take legislative trends and international standards into account in its plans for the future.

- **Continuous Improvement.** Repsol YPF will establish improvement objectives and targets to be met in matters of health, safety and environment, assessing performance and applying the necessary corrective action so as to attain the proposed objectives.

It will also work to search for new technical solutions to health, safety and environmental protection matters.

- **Communication and relations with society.** Repsol YPF will maintain communication channels open to its interest groups, and will work together with society, bringing it knowledge and reporting on its performance and the effect of its activities and products on people and the surroundings in a trustworthy and transparent manner.

Regardless of their position or location, all employees are responsible for their own safety as well for contributing towards individual and collective safety, health and environmental performance.

Repsol YPF believes that the fulfilment and ensuring the fulfilment of this Policy is the responsibility of all those who involved in their activities.

In accordance with this policy, safety criteria is integrated into all phases of Repsol YPF activity, from its initial planning to its termination. In addition, we aim continuously to improve the attitudes, practices and processes that determine our performance in safety matters.

The development of the policy requires a explicit and visible commitment from the Management board and the chain of command, which are responsible for assigning any necessary resources.

Since 2005, Repsol YPF's Board Audit and Control Commission has assumed responsibility for understanding and directing the policies, guidelines and objectives regarding safety and the environment.

A safety culture

Repsol YPF promotes a strong safety culture by encouraging training programmes, establishing channels for disseminating information, regulations and technical documentation on safety, and participating in national and international forums for exchanging experience and best practice for health and safety in the sector.

All employees at Repsol YPF must bear responsibility for their own safety according to their specific functions and should contribute to safety within the company as a whole.

Training

Repsol YPF is developing training for all personnel in accordance with their responsibilities and activities, in particular those persons directly involved in the management, operation and maintenance of installations and systems and those persons who have contact with and have direct responsibility for customers, suppliers and contractors, since it considers training in

Safety and health in the IV Agreement Framework

In 2006, Repsol YPF's Board and majority shareholders in Spain signed the text of the IV Repsol Group YPF Framework Agreement, which includes formal agreements regarding health and safety:

- Of a general nature, in Art. 26: risk evaluation procedure, including psychosocial risks, preventative training, action to be taken with contracted companies to guarantee that company ratios and procedures are met.
- Regarding business areas, in Art. 27: Creation of special Committees in Repsol Butane, Chemicals, central Offices and Campsared.
- Specific Health and Safety agreements, Art. 28: Preventative action, planning, maternity protection, protection of minors and of particularly vulnerable workers, and health monitoring.
- Agreements regarding involvement Art. 29 to 34: The creation of central and business related Health and Safety Committees, and trade union involvement, will be regulated.

For more information about the IV Repsol YPF Framework Agreement visit <http://www.boe.es/boe/dias/2006/11/17/pdfs/A40436-40437.pdf>

safety matters one of the most effective actions to improve management and performance.

Safety training in Repsol YPF is given both for its own personnel as well as for employees of contractors. Repsol YPF demands of its contractors that they provide the necessary staff training to perform their work.

During 2006, 10,118 employees of Repsol YPF were given training in matters of safety

212,055 training hours

Below there is detailed information on the number of employees of Repsol YPF who have been given training in health and safety, hours of training and how many hours per employee were provided.

Training in safety in 2006

	Persons	Hours	Extension index
Spain	5,237	165,901	27.96
Argentina, Brazil and Bolivia (ABB)	4,064	36,527	40.13
Rest of Latin America	577	7,257	25.69
Rest of the world	240	2,370	26.32
Total	10,118	212,055	31.60

Training in health at work in 2006

	Persons	Hours	Extension index
Spain	409	2,755	2.18
Argentina, Brazil and Bolivia (ABB)	163	527	1.61
Rest of Latin America	97	505	4.32
Rest of the world	63	458	6.91
Total	732	4,245	2.29

Extension index: percentage of people who have taken training activities in proportion to the average personnel headcount.

Data corresponding to Spain, Argentina, Brazil, Bolivia, Venezuela, Chile, Ecuador, Colombia, Trinidad & Tobago, Mexico, USA, Canada and Portugal.

The data in the table includes Company personnel with permanent and temporary contracts. This is data registered in the systems designed for this purpose in the company and does not include training carried out internally or training carried out within contractor companies.

Important training events



Risk analysis: Training for team leaders for risk analysis (October-November 2006. Madrid and Buenos Aires).

Training on performing all risk analyses of the company, both for new projects and existing ones, with the aim of ensuring the analysis of all risks and application of a homogeneous methodology in these analyses.

Workshops and Conferences for exchange of experiences and good practice (May-November 2006, Mendoza –Argentina– and Madrid).

Has the objective of promoting the exchange of experience in safety and environment between the different units, proposing solutions to common problems via a framework of dissemination and dialogue.

Investigation into accidents (March and April, Santiago de Chile and Ensenada –Argentina–)

Has the objective: more in-depth knowledge of the methodology of investigation into accidents and incidents common throughout Repsol YPF. This methodology helps to identify and correct the basic causes which will help to avoid accidents being repeating themselves in the future.

Employees from all businesses of the company participated in these training events which transmitted their knowledge and experience from specific areas to the rest of participants.

For more information on safety see <http://www.repsolypf.com>

To this end, throughout 2006 various training activities were carried out in which Repsol YPF personnel and staff from contractors participated. Special mentioned should be made, amongst others, of the safety courses held in exploration and production ABB (Argentina, Brazil and Bolivia) with the participation of 1,021 employees of service companies.

Repsol YPF also encourages forums where employees present and exchange their experiences and best practice in matters of safety and environment.

Communication

Repsol YPF has various mechanisms, such as the magazine *Conecta*, the internal website (*RepsolNet*) and the publication *Entre nosotros*, for all employees of Repsol YPF, also the Internet portal (www.repsolypf.com) where the company presents, among others, information on safety.

In this way it provides employees with regulations, studies carried out and the results of these, and technical documentation related to the management of safety at all levels of the company.

Participation in forums of dialogue

The company participates in various forums for dialogue and exchange of experiences on a national and international scale. Among others, Repsol YPF holds the vice presidency of the Committee for Environment and Industrial Safety (CASYSIA) and participates in various working groups on health and safety at work in ARPEL (Regional Association of Oil and Natural Gas Companies in Latin American and the Caribbean). Likewise, it is represented on the committees of safety and standards of OGP (International Association of Oil & Gas Producers) and holds the vice presidency and is responsible for coordination of the Committee of Refining and Petrochemicals of COASHIQ (Autonomous Commission for Safety and

Hygiene at Work in the Chemical and Related Industries in Spain). Furthermore it is represented on the Scientific Council and participates in various working groups in CONCAWE (European Environmental Association of Oil Companies) where it holds the Vice Presidency and participates in AOP (Spanish Association of Operators of Oil Products), where it presides over various commissions and working groups.

Safety management

Safety Management System

The basis for the safety and environmental management system at Repsol YPF is the Environment and Safety Manual, which sets out functions and responsibilities and establishes for the whole of the company a system of criteria and management tools. The management system is complemented by an extensive body of norms, procedures and guides which comply with the international norm OHSAS 18001 (Occupational Health and Safety Assessment System) and the European Directive 92/82/CE "Seveso II", and which, together with the management systems developed by the business units/operating centres, constitute the system for environmental and safety management of Repsol YPF.

During 2006 Repsol YPF extended the system for environmental and safety management, dedicating the necessary resources for its revision and maintenance and to ensure continuous improvement in safety.

Repsol YPF requires that the legislation on environment and safety is complied with in all countries where it operates. Furthermore, Repsol YPF uses the same criteria of safety in its operations by compliance with its internal norms.



During 2006 Repsol YPF developed norms which establish the basic directives to enable a safety and environmental evaluation to be applied to commercial transactions.

Transactions which involve the acquisition or exchange of assets or concession of land to carry out an activity are considered as part of the new norm, as is the acquisition of company shares which implies future operational responsibility. This also applies to mergers, alliances or joint ventures which affect key activities of the company.

Audits

In order to comply with the principle of continuous improvement, another of the basic tools for the environmental and safety management systems is the Environmental and Safety Audit Plans of Repsol YPF which prescribe internal audits according to the methodology contained in the Audit Manual, together with external audits (required by law) and certification audits. The number of audits must be balanced so that the internal or external audits do not concentrate on one cycle, and both the technical aspects as well as those relating to the management systems are covered.

During 2006, in addition to local internal audits (carried out by the company's own personnel in each centre), 363 internal audits (carried out by qualified personnel from a centre different to the one being audited) and 179 external audits were performed. Of these, 107 were associated with certification processes.

Certifications

Repsol YPF is considering OHSAS 18001 certification as a way of comparing safety management systems and of obtaining external validation with international character which will provide an added reinforcement against interest groups.

During 2006 the number of certified centres according to OHSAS 18001 continued to increase. For example, certification was obtained in 2006 for four refineries in Spain: Cartagena, A Coruña, Puertollano and Petronor should be mentioned, which join already certified in the refinery of Tarragona, this representing certification of all refining activity in Spain. Furthermore, special mention should be made of the certification

obtained in Spain Lubricants and Specialty, the petrochemical plants in Santander, General Química and Petrochemical of Tarragona, also in Spain, and the plant LPG Belgrano in Argentina.

The OHSAS 18001 certificates obtained by Repsol YPF can be viewed in www.repsolypf.com.

Risk management

One of the principle elements of the environmental and safety management system at Repsol YPF constitutes the identification and management of safety risks, applying the basic principle of prevention in all phases of the business.

Continuing the improvement in the evaluation of industrial risks, the company is developing a series of norms and guides with the aim of ensuring that during the life cycle of the industrial installations of Repsol YPF the industrial risks are identified, quantified and managed in order to minimise their possible effect on the safety of persons, installations and the environment. Repsol YPF is working on the continuous updating and improvement in the quality of risks analyses carried out, and performing these studies in new installations or for modifications in existing installations.

During 2006, training workshops were held in Spain and Argentina to train personnel in the methodology of risk evaluation which allows for homogeneous application and documentation of all risk analyses of the company, both for new projects as well as revalidation of existing ones. The objective of these workshops is to guarantee the homogeneity of the analyses carried out in all installations of Repsol YPF and furthermore to facilitate its accessibility for exchanging information within the company.



The REACH regulations

The REACH regulations (Registration, Evaluation and Authorisation of Chemical Product) was formally approved by the Council of Ministers for the Environment of the European Union on 18 December 2006 and shall come into force on 1 June 2007.

This is a new regulatory framework for the registration, evaluation and authorisation of chemical products which will improve health and environmental protection via early and more in-depth identification of the properties of the chemical products.

Repsol YPF, together with other companies of the sector, is participating in studies on its products, with the aim of evaluating the possible effects of these substances, within the risk evaluation programme of the European Union.



For more information on REACH see <http://ec.europa.eu/environment/chemicals/reach.htm>



Product safety

Repsol YPF is participating in and carrying out numerous analyses of its products in order to evaluate their possible effects on health and the environment, within the risk evaluation programme of the European Union and to comply with Regulation 793/93/CE.

Repsol YPF supports the objectives of the REACH regulations on the protection of health and safety of persons and the environment

The company has elaborated a strategy to comply with legislation, providing greater information on the properties of the products it markets. Two activities in particular stand out:

- The constitution of working groups to get to know the portfolio within the scope of the REACH regulations, and to act in a coordinated and homogeneous manner.
- The active participation in forums of various organisations in the oil and chemical industry for exchanging experiences and best practice.



In response to the commitment of the company to the health and safety of our customers, Repsol YPF provides Safety Data Files (SDF) which provide extensive information on the characteristics, safe handling, preventative measures and the measures to take in the case of an incident for all products marketed, and not only those required by existing legislation.

Almost 2,000 products of Repsol YPF have Safety Data Files in Spanish and English, as well as a large number of sheets in other languages.

The documents are updated regularly, depending on changes in national and international legislation. Also new SDF are elaborated for recently launched products.

Similarly, Internal Safety Files (ISF) are elaborated so that personnel know the dangers of chemical products and the preventative measures for safe handling. In order to disseminate this information an IT application was designed which is accessible via the company intranet, which allows users

to consult and retrieve information on any of the more than 1,600 ISF in existence.

Repsol YPF keeps its customers informed on nature, safety and appropriate use of the products supplied as well as dealing with and replying to specific inquiries on these products, applications or norms.

Safety and transport

Regarding safety during transport (of persons or goods) by road it is fundamental to fulfil the objective of Repsol YPF of zero accidents during its operations.

To this end it is developing various activities in the company to reinforce the skills needed for safe driving, especially in unfavourable meteorological conditions or environments.

Safety in marine transport constitutes a key element in preventing the risks of accidents and contamination.

During 2006, the regulations on “vetting” were revised which apply to the ships which transport loads which are the property of Repsol YPF or which operate in terminals managed by the company.

The modifications were carried out in the light of changes in the industry, of recommendations by various organisations, of the experience of professionals and the will to uphold a high level of quality and safety.

Planning and objectives

Strategic Planning for the prevention of accidents and incidents is based on strategic lines and objectives. On the basis of these lines, which are updated annually and approved by the Senior Management, the units elaborate their proposals and strategic plans for safety and the environment, where they establish the programmes necessary to improve safety and environmental management and to achieve the set objectives as well as the required investments and expenses.

These objectives are part of the annual objectives of all employees of Repsol YPF who have a variable salary linked to the achievement of objectives, hence demonstrating again the commitment of Repsol YPF to safety.

As part of this commitment, quantitative objectives have been established for 2007 with the goal of continuing the tendency of the last years. These objectives have been approved by the Board of Directors and rolled out across all businesses of the company.

New vetting procedures since April 2007

During 2006 new procedures were developed and approved which shall come into force as of 1 April 2007. The most significant aspects of these new procedures are listed below:

- Repsol YPF has procedures to identify and declassify ships which do not meet established standards via preliminary evaluations and physical inspections. It should be stated that said vetting regulation is updated annually in order to incorporate new international regulatory developments or the most stringent criteria developed by Repsol YPF.

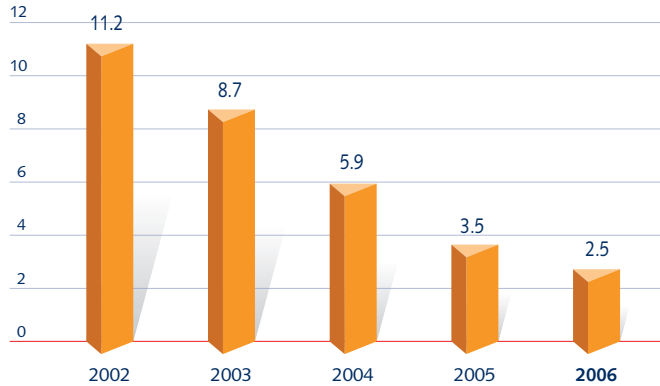
In January 2006 the age limit for ships over 5,000 tonnes which are not double-hulled was reduced to 23 years.

Furthermore, for all ships over 20 years, the ship-owners must carry out the so-called Condition Assessment Programme (CAP), a study of the structural condition of the hull and after 23 years CAP for machinery and the loading system. If the length of the ship is greater than 150 metres this must also include a wear analysis of finite elements.

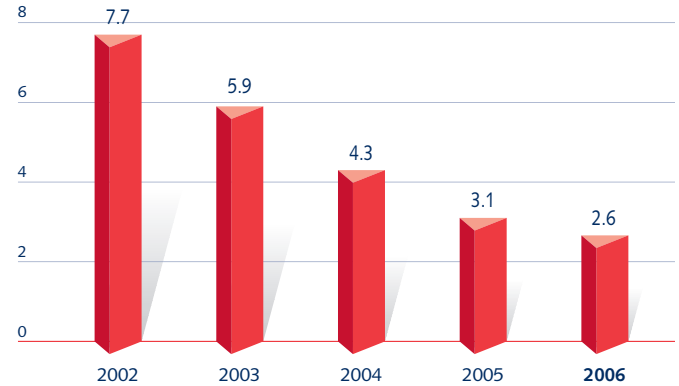
- The ship-owners/technical operators of the ships must have a safety management system in place and must demonstrate its continuous improvement called TMSA (Tanker Management Self Assessment). This system was created by the Oil Companies International Marine Forum and consists of 12 elements which can be rated from 1 to 4. For this year's procedures, they must have a minimum of 1 which must be audited every two and a half years.
- Requirements that ships transporting chemical products and volatile products with a combustion point below 60° must be equipped with an inert gas system.

For more information see <http://www.repsolyypf.com>

Lost time IF own personnel



Lost time integrated IF (own personnel + contractor personnel)



Injury Frequency (IF): Number of accidents counted with loss of working days and deaths accumulated throughout the year, for each million hours worked. The integrated IF includes both Repsol YPF's personnel as well as staff from contractors.

Safety performance

During 2006, throughout the whole company a tool was introduced which allows efficient management and analysis of accidents and incidents.

This corporate tool allows all information on accidents, including near misses, to be managed in a reliable, opportune and auditable manner, including investigation, analysis of the basic causes, monitoring of corrective actions, dissemination of lessons learned and collation of related statistics.

The regularly reported safety redemption by the different business lines of the company during 2006, have included: 37 safety parameters, 8 indicators of labour accidents, 4 indicator of industrial accidents, 7 prevention indicators, through a flow of information in which the company's different organization levels are involved.

Accident rate results

Repsol YPF is doing all it can to improve its performance in safety to avoid the loss of human life in the course of its corporate activity.

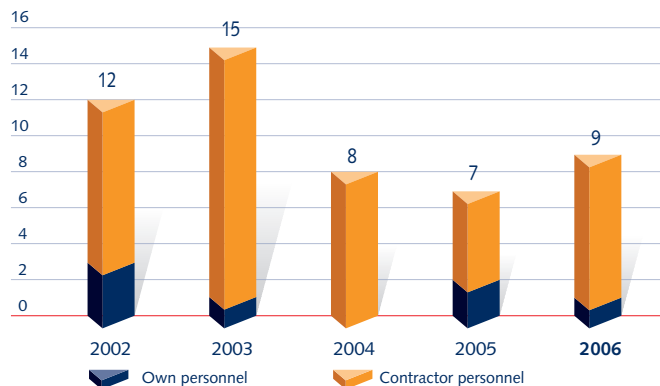
During 2006, despite the efforts made, we regret to announce an increase in the number of deaths. In total, seven fatal accidents with nine deaths, one was a Repsol YPF employee and eight from contractor companies.

These fatal accidents happened in the following countries: Venezuela, Spain, Argentina and Algeria. Repsol YPF regrets these accidents deeply and continues to work with all its efforts to reduce their number to zero.

2.5 IF for own personnel in 2006: 28% reduction over 2005

2.6 Integrated IF 2006: 16% reduction over 2005

N° of deaths



The construction of the G4 unit in the refinery of Petronor (Bilbao)

Despite the above and thanks to the improvements introduced during the past years, a positive trend has been established regarding the Injury Frequency (IF) both for Repsol YPF personnel as well as integrated staff (own personnel plus contractor personnel).

In 2006, the IF with lost days for Repsol YPF personnel was 2.5, achieving a reduction of 28% in comparison with the figures for 2005. Furthermore, the set objective was reached, surpassing it by 17%.

In 2006 and in accordance with the commitment to continued improvement in public information, the company announced the integrated IF which includes both personnel at Repsol YPF and from contractor companies. This value is a 16% less than the figure of the previous year.

Investments and expenses for safety

Repsol YPF has set out a plan to improve safety and reduce accident rate both with regard to actions to improve management as well as investments to maintain installations in accordance with the best standards of the sector.

Here it has a system for collating and elaborating information regarding investments and expenses for safety. The investments in safety carried out in 2006 comprised a total of 102 million euros. In addition, the expenses for this financial year rose to 79 million euros.

The construction work for the G4 unit of Petronor, carried out within the Project ADI-6586 (improvement in the environmental quality of fuels) represented an effort by all the organisations involved in the project in the field of prevention of accidents in the workplace.

With the work in question a desulphurisation plant for diesel oil was built, which, to name the most significant figures, required more than 1800 cubic metres of poured concrete, the assembly of 350 tonnes of metallic structures, 40 tonnes of tubing and accessories, 160 assemblies and 185 prefabricated elements in concrete.

The fourteen contractor companies which worked with Repsol YPF performed 600,000 man hours approximately during the 21 months which the construction lasted, providing a maximum number of personnel of almost 300 people who were working simultaneously for most of the time.

The preventative actions which have been adopted for a number of years in construction work for process plants are based on four basic pillars:

1. Information for workers on the risks they face during their own work and in the environment where they work.
2. Training on preventative actions, norms and procedures which they must follow.
3. Implantation of a chain of requirements to fulfil the preventative actions, norms and procedures which are created by management and spread via direct managers to the workers, with the same intensity as the quality and fulfilment of deadlines and financial estimates.
4. Establishment of a monitoring procedure of compliance which determines the necessary corrective actions and sets bonuses and sanctions.

Construction, as other activities, brings some inherent high risks in view of the work with manual tools, working at heights, movement of heavy vehicles, simultaneous performance of specialised tasks, moving large loads, etc. The objective of "zero accidents" was not only regarded as a wish, but has shown itself as a strong will to change the way of executing projects at Repsol YPF.

Repsol YPF is aware of the factors that it must be able to control, hence achieving good results, such as those achieved in the construction of the G4 desulphurisation unit for diesel oil at Petronor.

Ethical behaviour in our relations

The values which guide the behaviour of the personnel at Repsol YPF can be found in the Ethics and Conduct Regulation

The values which guide the behaviour of the personnel at Repsol YPF can be found in the Ethics and Conduct Regulation for the employees of Repsol YPF, the company's ethical code which is mandatory for its employees throughout the world.

With regard to respecting the dignity of each person and their human rights Repsol YPF, via its Policy on Human Rights, Respect for People and their Diversity, is committed to implement all its actions without any type of discrimination.

The Repsol YPF Diversity Project, which began in 2006 and is described below, has as its objective the application of the Policy on Human Rights, Respect for People and their Diversity to concrete actions and is a step further in equal opportunities, emphasising questions such as nationality, culture or religion, among others. One of the first milestones to be reached was Repsol YPF being awarded the *Certificación Óptima* (Optimum Certification) in Spain which recognises Repsol YPF as an entity which is collaborating to establish equal opportunities for women and men.

Employees

On 31 December 2006 the workforce of Repsol YPF was 36,931 employees. Since 2004, the workforce of the company has increased by rather more than 10%. Approximately 90% of persons in the company have permanent contracts.

The Policy on Human Rights, Respect for People and their Diversity at Repsol YPF is a reference for personnel management and, therefore, in all decisions of the company which implies selection, training, promotion, expatriate assignments, succession and mobility, among others.

Repsol YPF's human resource policies (retribution and social benefits, labour relations, training, development, etc.) have a global character. These policies set the criteria in any country that the company has a presence. Based on this common framework, the development of the policy is set by taking into consideration the specifics of each country.

Salaries and social benefits

Salaries

In 2006 personnel costs rose to 1,674 million euros, with an average cost per employee of 45,238 euros. Of this figure, 1,099 million euros were used to pay the salaries of company employees.

Workforce by type of contract and geographic location

	2004		2005		2006	
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
Spain	15,242	1,933	16,135	2,077	16,644	1,878
Argentina, Brazil and Bolivia (ABB)	10,423	1,474	10,725	1,972	11,046	2,058
Rest of Latin America	2,314	367	2,679	186	2,993	144
Rest of the world	1,424	160	1,998	137	2,042	126
Total	29,403	3,934	31,537	4,372	32,725	4,206

External opinion

"Business ethics has become increasingly important to the management of companies this Millennium. Globalisation, and European Union expansion with cross-border developments, have opened up opportunities for new types of corporate interaction. However, these opportunities for companies bring with them complexities, which mirror today's societies - such as diversity of staff and the need for honest and fair transnational business dealings.

Governments and international bodies, such as the United Nations and the Organisation for Economic Co-Operation and Development (OECD), have recognised the significance of ethics, including integrity, in managing a business company, and have advanced guiding principles and recommendations.

It is necessary also for leading companies themselves to pick up the "ethical gauntlet" and move ahead, setting examples to commerce of sound ethical behaviour and "best practices". Sincerity by business companies in their adoption of ethical policies, codes, and principles -as well as in their implementation from top down- is vital to uphold the moral fabric of a company and to distinguish it from mere public relations. New corporate structures may be necessary within companies, equipped with specialist staff, to devise ethical training sessions, together with internal and external verification of corporate practices.

Good communications with the company's stakeholders at home and abroad, and "whistle-blowing" machinery to indicate early ethical, or other, problems, help to keep the "corporate body" healthy. The result for the business company is a true "ethical spirit" which enhances its reputation and all-round achievements, and protects it against corporate abuses.

Furthermore, an "ethical business company" can assist in the alleviation of global problems, both in developed and developing countries, such as unfair working conditions, poverty, environmental pollution, corruption and fraud.

By setting "business ethics" as a goal, alongside profit, a company deserves to meet its long-term objectives!"

Dr Rosamund Thomas

Director of the Centre for Business and Public Sector Ethics, UK

Internal opinion

"Those around us demand that we develop our activity in an ethical, upright and transparent manner, without putting our personal interests before those of the company and our stakeholders. The scrutiny of large companies is more intense every day, as shown in the growing regulatory pressure and the requirements of markets both with regard to the practices of corporate governance and the inclusion, under the sphere of influence of the same, of questions related to corporate integrity and ethics. At Repsol YPF we are convinced that the incorporation of these questions in our management practices makes us into a better and a more admired company, contributing to increasing our value in the marketplace. This is reflected in the recent modification of our Ethics and Conduct regulation, a fundamental pillar of the ethical mark of our performance.

At Repsol YPF we want to be a reference for ethics and good governance, strengthening our culture of social commitment. To this end, we are trying to establish resources and tools to eliminate the risks arising from bad practices and to ensure the detection and early resolution, where necessary, of the same."

Luis Suárez de Lezo

General Counsel and Secretary of the Board of Directors

Ratio between the starting salary and the established minimum salary

(euros)

	2004			2005			2006		
	Starting salary	Minimum salary	%	Starting salary	Minimum salary	%	Starting salary	Minimum salary	%
Spain	13,158	6,447	104	13,735	7,182	91	14,196	7,573	88
Argentina	2,901	1,612	80	3,691	2,269	63	4,057	2,713	50

Repsol YPF's Human Resources policies are worldwide

In 2006 the average starting salary in Spain and in Argentina was 88% and 50% higher, respectively, than the minimum salary in each country (Both countries together represent more than 80% of the Group's workforce).

The minimum salary corresponds to the Minimum Interprofessional Salary (*Salario Mínimo Interprofesional*) for Spain and the Minimum Living and Mobile Salary (*Salario Mínimo Vital y Móvil*) for Argentina.

The reduction occurred during the last three years in the ratio between the Repsol YPF's starting salary and the minimum salary is due to the fact that the latter has risen in the period under review, both in Spain as well as Argentina, much higher than the official rate of inflation.

Repsol YPF offers equal salaries for men and women. In order to evaluate the information on the minimum salaries paid to men and women in the same professional category, the ratio between the basic salaries per sex in Spain and Argentina is analysed. The analysis used the salary data for Spain

and Argentina, which together represent more than 80% of the workforce of the Group.

In 2006 the annual average basic salary for women was 78% of the annual average salary for men. The highest figure was registered for "Technicians" where the averages were equal and the lowest value was registered in the category of "operators" with a quotient of 65%. In order to interpret this information correctly it should be remembered that these professional categories are the result of grouping numerous internal categories, quantified internally, where the percentage of women is very varied.

The basic salary is quoted in euros and in annual terms. In order to calculate the basic salaries per professional category, expatriate personnel and Top Management have been excluded.

Pension Plans

Repsol YPF offers pension plans for approximately 70% of its employees

Basic salary for (bsm) and women (bsw) for each employee category

	bsm	bsw	bsm/bsw
Managers	140,667	130,355	93%
Technical managers	57,282	54,688	95%
Technicians	28,148	28,013	100%
Admin. staff	23,221	22,096	95%
Operators	15,574	10,165	65%
Total	24,576	19,158	78%

(this percentage does not include subsidiary companies). In 2006, 34 million euros were destined for pension plans, a variation of 10% in relation to 2005.

Private health insurance

Rather more than 40% of employees at Repsol YPF benefit from private health insurance schemes in addition to the obligatory health service in each country. In many cases the policy extends to the family members of the employees. In 2006 Repsol YPF destined a total of 19 million euros to health insurance policies.

In Latin America, the cover can be provided by health or insurance companies offering, in most countries, dentist, mother and child, psychological cover and cover for medicines.

Remaining in contact with former employees

Both in Spain and in Argentina ex-employee associations have been founded. In Spain in the year 2002 the *Asociación Española de Ex-empleados, Pensionistas y Jubilados del Grupo Repsol YPF* (Spanish Association of ex-employees, retired personnel and pensioners of the Repsol YPF Group), was founded, whose objective is to promote and encourage relations of its members with the Repsol YPF Group. Similarly, in Argentina the *Centro de Jubilados, Retirados y Pensionados de YPF* (Centre for Pensioners and Retired Personnel of Repsol YPF) was founded.

Other benefits

In the main countries where Repsol YPF carries out its activities, a large proportion of employees have access to various benefits such as: life insurance, medical check-ups, maternity/paternity leave, pension rights, subsidies for food/canteens, education for the employees and their children, subsidies for kindergartens, transport and loans to employees.



Cost of social benefits in 2006		<i>(millions euros)</i>
Social benefits	Total expenditure	
Pension plans	34.2	
Health insurance	19	
Subsidies for canteen/meals	20.1	
Preferential loans	0.1	
Total	73.3	

A diverse workforce

As formulated in its public commitments, Repsol YPF is committed to non-discrimination, whether on the grounds of race, sex, religious beliefs, politics or trade union affiliations, nationality, language, sexual orientation, civil status, handicap, economic status, social origin, or any other reason.

Repsol YPF understands diversity as a source of competitive advantage, which allows the company to incorporate in its projects persons with very different points of view which helps them to take better decisions.

The IV Framework Agreement signed in September 2006 in Spain, considers measures relating to the conciliation of working and family life, employment of

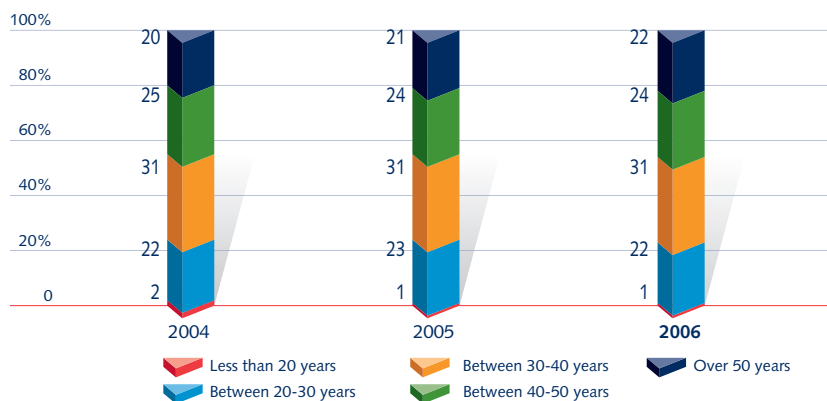
disabled persons, equal opportunities for men and women and protection for victims of domestic violence.

Regarding disabled persons, the above mentioned IV Framework Agreement, contains the commitment to employ, as a minimum, 190 disabled employees. Likewise, a special training centre was created for empowering this group, mainly in the Service Station operations. On the other hand, initiatives are being implemented to provide incentives to the selection of providers of Special Employment Centres which provide employment for disabled persons.

In Argentina, a study was carried out to identify positions which could be filled by persons with some type of disablement and candidates from this group are being evaluated to occupy the vacancies available. Similarly, a specific objective within Repsol YPF's own network of Service Stations for incorporating 50 disabled persons has been established.

The human resource policies which Repsol YPF is applying regarding equal opportunities help to achieve a more balanced distribution by sex.

Distribution of workforce by age



Distribution of workforce by sex and professional category

	2004		2005		2006	
	Men	Women	Men	Women	Men	Women
Managers	276	16	281	21	284	24
Technical Managers	1,428	222	1,611	261	1,840	331
Technicians	9,620	2,512	10,777	2,780	11,474	3,151
Admin. staff	895	1,529	926	1,642	910	1,599
Operators	13,425	3,414	13,828	3,782	13,273	4,045
Total	25,644	7,693	27,423	8,486	27,781	9,150
% women/workforce		23		24		25

Diversity in Repsol YPF. Certificación Óptima

Repsol YPF understands that diversity improves perspectives in terms of competitiveness of the company, since it develops the capacity for attracting and retaining talent improves the identification of the Group with customers and society and increases the commitment of employees. The Diversity Project is one step further towards equal opportunities, including nationality, culture or religion, amongst others.

In view of this requirement, the Diversity Project began to be a reality at the end of last year. The starting point was the Certificación Óptima awarded the Company in 2006 by the Spanish Ministry for Labour and Social Affairs (*Ministerio español de Trabajo y Asuntos Sociales*).

Óptima is a certificate which was given to Repsol YPF in recognition as an organisation working towards equal opportunities for men and women. To be precise, it recognises the development of positive practical measures taken by the organisation and formalised in the Labour Relations Model, as well as the agreement achieved by Repsol YPF in targeting equal opportunities between women and men within the company itself and society in general.

For the Diversity Project, the accent was placed, above all, on how to balance working with personal life. In this sense it is planned to initiate the project with 11 pilot initiatives:

1. Increase the opportunities for flexible working conditions.
2. Introduce measures to balance work loads.
3. Introduce a new culture of working hours.
4. Nominate women in promotion and development processes.
5. Ensure the participation of women in high potential training programmes.
6. Revise professional categories.
7. Design a scorecard and establish monitoring of women development .
8. Include objectives of diversity in the Management by Commitments of managers
9. Increase diversity training.
10. Communicate internally and externally.
11. Disabled inclusion.

Conciliation
personal-professional
life

Management suited to
diversity

Promotion of cultural
change



Repsol YPF
counts with
a policy that
establishes labour
relationship
guidelines for the
whole company

Communication with employees

Repsol YPF understands internal communication as a management tool the prime purpose of which is to bring value to business. The strategy for this field is defined each year.

Within its internal communications model, Repsol YPF distinguishes three axes of communication:

- *Global communication*: has as its objective the dissemination of values, behavioural models and information relevant to employees throughout the world or in a specific country. It acts as an integration vehicle and has an eminently cultural function.
- *Local communication*: has as its audience the employees of a Executive Division or Business Unit and are linked to the implementation of projects, policies

and ways of doing things. It helps Business by disseminating information of interest or publication of relevant aspects.

- *Interpersonal Communication*: activities are related to concrete aspects of personnel management and team work and are intended to facilitate and promote the information exchange on objectives, “ways of doing” and performance. This is the most appropriate internal communication method for the management style and culture wanted by the company.

For Repsol YPF, its employees constitute one of its main stakeholders. Nevertheless, this internal public is not homogeneous. Each employee needs a different type of information, depending on his/her degree of responsibility and the tasks he/she performs.

Trade union representation

Repsol YPF with its Policy on Human Rights, Respect for People and Diversity, which is applied worldwide, declares its commitment to the right to freely associate in trade unions.

Repsol YPF has a labour relations policy where the labour relations directives of the company are defined. This policy recognises that relations with trade union organisations and other employees associations are considered key to achieve the company objective of peace and labour stability.

Repsol YPF has develop this policy for all its employees to exercise the right to freely join trade unions, whatever the activity they perform in the country where they work.

In the main countries where it operates, Repsol YPF negotiates collective agreements directly with employees trade union representatives or adheres to the conditions agreed in different collective agreements for

Employees covered by collective agreements, by geographic area

	2004		2005		2006	
	Total workforce	Collective agreement	Total workforce	Collective agreement	Total workforce	Collective agreement
Spain	17.175	14.076	18.212	14.871	18.522	14.842
Argentina, Brazil and Bolivia (ABB)	11.897	6.422	12.696	6.839	13.104	6.913
Rest of Latin America	2.681	522	2.866	471	3.137	643
Rest of the world	1.584	1.159	2.135	1.196	2.168	1.508
Total	33.337	22.179	35.909	23.377	36.931	23.906

specific sectors. Relations with trade unions and other employees associations are considered a key factor.

- *Spain.* Signed by the management of the Repsol YPF Group and the majority trade union representation (unions UGT and CCOO), the IV Framework Agreement of the Repsol YPF Group, was an important fact in 2006.

A Monitoring Commission has been created for interpreting, surveying, and inspecting and to assure the compliance of the IV Framework Agreement.

Trade unions and Repsol YPF Group representatives form part of this Commission.

- *Argentina.* In Argentina there are three agreements which regulate the working conditions of approximately 3,900 employees in the activities refining, exploration and production, service stations and liquid gas. In the case of the first three activities, the agreements apply exclusively to the company and were signed in 2004 and are valid until December 2006. These agreements were renewed from 1 January 2007 and are valid until 2010. The employees covered by these agreements are represented by the *Federación de Sindicatos Unidos Petroleros e Hidrocarburíferos (SUPeH)*.

- *Other countries.* The previous table shows the regional distribution of employees covered by collective agreements.

Human Rights

Respect for human rights is an area of special importance in a company operating internationally such as Repsol YPF as manifested in the internal regulations of the company.

The Ethics and Conduct Regulation for Repsol YPF employees is the basic internal instrument which regulates this question, in particular, in section 6.1 "human rights and public liberties".

See http://www.repsolypf.com/es_es/todo_sobre_repsol_ypf/responsabilidad_corporativa/etica_y_transparencia/norma_de_etica_y_conducta/

Human Rights respect is an area of special importance in an international scope company like Repsol YPF

In general
purchasing and
contracting
conditions
it is stipulated
as a supplier
obligation the
fulfilment of ILO
Fundamental
Conventions

In similar fashion, and dealt within this section, Repsol YPF has its Policy on Human Rights, Respect for People and their Diversity, where the company commits to implementing all its actions without any type of discrimination whether for motives of race, sex, religious beliefs, politics or trade union association, nationality, language, age, sexual orientation, civil status, handicap, economic status, social origin or any other condition.

See: http://www.repsolypf.com/es_es/todo_sobre_repsol_ypf/responsabilidad_corporativa/etica_y_transparencia/los_derechos_humanos_en_repsol_ypf/politica_de_respeto_a_la_persona_y_a_su_diversidad/

In addition, it should be pointed out that in 2006 Repsol YPF elaborated its Corporate Responsibility Master Plan 2007-2009. One of the corporate programs included in this plan is the denominated "Ethics and conduct relations", among its actions is the adoption of tools related to promoting human rights.

In 2002, Repsol YPF signed the Principles of the United Nations Global Compact, committing itself to work for its dissemination and promotion. In turn it signed up to the Declaration of the International Labour Organisation regarding the principles and fundamental rights at work and the OECD Guideliness for Multinational Business, as well as the directives and lines of activity contained

in the documents of the OGP (Oil and Gas Producers Association), of which organisation it is a member. The application of these principles has been included in the Policy on Human Rights, respect for people and diversity.

The above commitment translated also into formal company policies. For example, in its Labour Relations Policy, Repsol YPF states its commitment to comply with the Convention of the United Nations on Children's Rights.

Within the process of qualification and certification of suppliers, both for materials and services, considered as critical or semi-critical for the company activities, in Spain, a signed declaration regarding rights in the social, safety and environmental fields is required (respect and compliance with current legislation and the fundamental conventions of the International Labour Organisation -ILO) and a signed declaration regarding Corporate Social Responsibility (Adhesion to the UN Global Compact and specific policies on Human and Labour Rights).

In addition, and worldwide, adjudicatory companies, both for the supply of materials as well as services, are required to comply with the Fundamental Conventions of the International Labour Organisation (ILO) and with other questions related to Safety and the Environment, through the general purchasing and contracting conditions of Repsol YPF, being a reason for terminating the contract or order the no-compliance of them.

Moreover, Repsol YPF has systems for registering suppliers managed by the Achilles group among which is the Suppliers Registration (*RePro*) for Spain, Brazil and Portugal, the Siclar system in Argentina, and the RPP system in Venezuela.





Although it is not a specific point, in audits for critical suppliers carried out during 2006 no risks were detected in relation to forced labour or child labour in their installations.

Among Repsol YPF stakeholders, all communities who are affected by the company operations in any form are considered in the strategic plans for each operational stage.

Repsol YPF is aware of the individual idiosyncrasy of each community and the need to establish a special relation with indigenous communities which must be based on respect and thorough knowledge of their culture, language, uses and customs and on mutual trust. We are trying to promote the positive impact of our local presence and minimise the negative aspects, working in coordination with government, regional and local agencies when implementing. We draw up plans and facilitate effective exercise of indigenous peoples rights to articulate and agree their own plans and processes for social, economic and cultural development. All this is done in compliance with the laws and regulations of the country and international initiatives which we adhere to.

Corporate security

Given the different contexts in which Repsol YPF operates, procedures are needed to guarantee the protection and security of its personnel and installations. For Repsol YPF the security performance is the primary object of attention, both in evaluating its effectiveness as well as in monitoring its compliance with legislation and respect for human rights.

During 2006 Repsol YPF elaborated its Corporate Security Policy. When elaborating the Policy reference was made to international initiatives such as, amongst others, the UK/US Voluntary Principles on Security and Human Rights and the report of the OGP Firearms and the use of Force.

The Repsol YPF's Corporate Security Policy is based on protection of people, interests, goods and the knowledge of the company from internal and external aggression which can occur, adopting the appropriate preventative and reactive measures and promoting a culture of security.



In 2006, 89.6% of Repsol YPF's corporate security personnel "security" received human rights training

In order to achieve this, Repsol YPF is committed to the creation of a secure working environment based on the following principles:

1. Compliance with legislation, internal regulations and dissemination of security criteria.
2. Respect for human rights.
3. Regulation of the use of firearms.
4. Contribution to the creation of security awareness.
5. Promotion of a secure working environment.
6. Coordination of information.
7. Provision of resources.

8. Collaboration with the business/corporate units in risk evaluation.
9. Continuous improvement.

With regard to contracting private security services, all security companies who wish to offer their services to Repsol YPF are required to provide an internal declaration of principles which includes the following points:

- Ensuring the respect of human rights by their personnel while performing their duties in maintaining security and protection.
- Possession of codes of conduct in line with:
 - UN Code of Conduct for Law Enforcement Officials
 - US/UK Voluntary Principles on Security and Human Rights.
- Acting in accordance with the report of the OGP "Firearms and the use of Force".

The Ethics Committee takes up its duties

In 2006 a communication channel with the Ethics Committee was opened up, whereby all persons who wish so can address any question on the Ethics and Conduct Regulation for Repsol YPF employees to the Ethics Committee as well as communications relating to possible non-compliance or violation of said Regulation.

Such communications can be made via an application which has been set up in the company internet portal or sent via email or post to the following address:

Comisión de Ética de Repsol YPF, S.A.
Paseo de la Castellana, 278
28046 Madrid
Spain

comisiondeetica@repsolypf.com

Communications treatment is strictly confidential. The Ethics Committee will receive communications sent via this system and will decide on how to handle them.

For more information see: www.repsolypf.com



Integrity of relations

Communications to the Audit and Control Committee

In 2005 an anonymous communication system was set up for the Audit and Control Committee of Repsol YPF and to the Audit Committee of YPF. Via this application, all persons who wish so can send any communication regarding accountability, internal controls of accountability and auditing which affect the Repsol YPF Group to the Audit and Control Committee of Repsol YPF and the Audit Committee of YPF.

Employees from the Repsol YPF Group who send communications in good faith to the Committee are guaranteed the protection stated in Section 806 and 1107 of the Sarbanes Oxley Act which prescribe civil and penal actions against persons who take some form of reprisal against employees who provide information regarding infractions of the norms regarding financial information.

Register of External Suppliers Systems: RePro, Siclar and RPP

Repsol YPF uses, together with others systems, Register of External Suppliers Systems managed by the Aquiles Group for Spain, Argentina, Brazil, Portugal and Venezuela. These databases are management services for information and documentation of suppliers and contractors used by companies of the energy and water sectors (oil, electricity, gas). These databases offer purchasing companies a tool which allows them to classify their suppliers and contractors in an efficient manner, is permanently updated and objective. Via this system of common classification companies have access to a complete and updated database based on the information provided each year by the suppliers by means of a simple computerised questionnaire. These databases contain approximately 5500 registered suppliers

Suppliers are asked general information, company and commercial, human resources, work centres, financial, quality systems, environmental management systems, prevention of risks in the workplace, products and services offered (descriptions, range, commercial references) etc. Also documentation on compliance with the Treasury and Social Security authorities, public liability insurance, quality and environmental certification and prevention, balances and profit and loss accounts, reports on financial risk, etc.

In 2005 few questions about sustainability were introduced (signing of the Global Compact and the existence of policies in the company related to human rights).

Currently a project is underway to create a general section on "Corporate Social Responsibility" which covers three areas: environment, prevention of risks in the workplace and ethics and human rights.

Suppliers

Repsol YPF has General Purchasing and Contracting Conditions which guarantee the integrity of relations the company maintains with its suppliers and subcontractors, requiring them to comply with the basic conventions of the International Labor Organisation (ILO).

The Purchasing and Contracts Division of Repsol YPF has a Relations with Suppliers and Contractors Guide that sets a general framework for relations between suppliers who provide goods and/or services and the employees of Repsol YPF.

It also aims to develop impartially and objectively the selection processes for suppliers and contractors, applying quality and cost criteria to said processes. Repsol YPF has established a qualification system for suppliers. A communication channel has been opened via the website with a Qualification Questionnaire for any companies that want to supply goods or services to Repsol YPF.

From the point of view of qualification (certification), both for suppliers of goods as well as contractors for work and services, they are asked to provide information on whether they have any certified environmental management system. If they do not, they have to answer a series of additional questions to see to what degree they have implemented a system of this type. This information is required independently of whether it is a national or foreign supplier.

During 2006, for Spain and Argentina, it is considered that approximately 2.700 of the significant suppliers and contractors (including those that have not been hired during this year but qualified in previous years), near 80% have declared their conformity with ILO values.



Furthermore, in Spain, it should be mentioned that in the Qualification Questionnaire in section "4. Mandatory Declarations" a question on Human Rights states verbatim: "I declare that my company has specific policies related to Human Rights, Labour Rights and the prevention and promotion of environmental responsibilities within the company". A supplier is simply asked to answer yes or no to this declaration.

In the cases of Spain, Argentina, Brazil, Portugal and Venezuela, especially for important suppliers and products, Repsol YPF uses, together with others systems, Register of External Suppliers Systems managed by the Aquiles group which provides relevant information in order to make decisions regarding suppliers.

Relations with governments

One of the objectives of Repsol YPF is to preserve the integrity of the company in its relations with third parties, especially with the governments of host countries and at the same time demonstrate a neutral political stance.

Repsol YPF has a Guideline of Goods and Services Suppliers and Contractors Relationship

Dialogue and commitment to the community

763 social
commitment
actions in 2006,
150 more projects
than in 2005,
with a 24%
growth

For Repsol YPF, social commitment constitutes an integral element of business. Questions such as care of surroundings, good relations with the host communities, safety of persons, products and installations, environmental commitment or respect for human rights constitute defining attributes of the management model of the company.

Repsol YPF social commitment is based on its capacity to generate wealth while effectively performing its operations as a company in the energy sector. But this capacity to create wealth depends in good measure on the communities where Repsol YPF carries out its activities accepting and viewing the company as a responsible member of society. It should not be forgotten that Repsol YPF must necessarily work with a view to the long term. In many cases, the lifetime of company projects is measured in decades.

Amongst other things, the need to view things in the long term awakens the faculty of better understanding the logic of sustainable development and the importance of maintaining cooperative, long lasting and mutually beneficial relations with the surrounding society.

Repsol YPF has taken as a principle of company action the achievement of a management system that is efficient, modern, viable and effective and which is embedded in the principles of sustainable development and in the commitment to wealth, development and prosperity of the societies where it is present.

A leading approach

The social commitment of Repsol YPF has its starting point in two fundamental premises. On the one hand, it intends to consolidate the position of the company in all the countries where it is present, establishing lasting relationships with the main stakeholders. On the other hand, it is aiming at implementing actions which promote the commitment of the company to society which in turn will encourage reciprocal creation of value.

During 2006, and given the strategic importance associated with corporate responsibility and social commitment, the company underwent a rigorous process of internal reflection, intended to analyse, order and orientate the focus of the company in such questions, which culminated in the Corporate Responsibility Master Plan 2007-2009 of Repsol YPF.

In addition, and as part of the Master Plan, a specific programme was developed, called the Commitment to the Community Programme 2007-2009, to analyse, order and orientate the company social commitment activities.



External opinion

"During the last two decades there has been a strong increase in private investment in developing countries, and last year the figure reached an economic volume equivalent to almost four times the official development aid of the member states of the OECD.

For underprivileged countries it is important to take appropriate advantage of the resources from donor countries for health or educational programs, as is to accomplish an increase of economic activity that supposes the direct presence or insinuation of multinational companies in its territory, this has a positive effect for society and, especially, for the underprivileged population.

Oil & gas companies are increasingly aware that their extractive and transport activities are only viable and sustainable if they are carried out in conditions which fully respect the basic rights (civil, social, economic and environmental) of the populations living in their areas of influence.

Fortunately there are an increasing number of examples of companies in the extractive and energy sectors who have the will to integrate social responsibility in their company's strategy. They aspire to corporate social responsibility as part of their business model, so that their policies and practices to generate economic value for their shareholders are always compatible with the creation of social value for the whole of society."

Ignasi Carreras

Director of Esade Social Innovation Institute

Internal opinion

"In our business, relationships with neighbouring communities are a crucial aspect to assure successful operations. In a company of our characteristics, this is twofold, in which the life period of projects is measured in opportunities and decades. Working in this time frame helps us to establish in communities where we operate long term.

We are fully aware that the public authorities grant the licenses and that the implication of the local communities is a key for operations to be put into successful practice. To help face the challenge of gaining the trust of our neighbours, Repsol YPF has implanted a global community relations strategy that unifies our efforts and situates them in-line with the company's business targets. This strategy is captured in the Corporate Program "Commitment with the Community", a specific program included in the recently approved Repsol YPF Corporate Responsibility Master Plan, with which we hope to expand the implication of our social commitment.

In definitive, our aim is that our actions in communities assure a "double dividend": creating wealth and well-being for the local communities and contributing to the realization of strategic business objectives."

Enrique Locutura

Executive Director of ABB (Argentina, Brazil and Bolivia)

25.4 million euros of
social investment in 2006

12% increase in
investment in the period
2005-2006

54% increase in social
investments in the last
three years

With the approval of the programme, Repsol YPF created a tool to develop action plans in the community which are aligned with the business objectives and with the real needs of the communities where they are implemented and oriented, in particular, to contribute to the Millennium Development Goals. The priority is to give a global viewpoint to the Repsol YPF actions in the community, which also allows them to adapt to local circumstances.

During 2007 the commitments and lines of action proposed in the programme will be introduced. These are intended to unite the efforts and actions carried out by the different units and organisations of the company and search for the creation of mutually beneficial relations with local communities where it is present.

Within the framework of this programme, one of the planned actions is the development of a tool which allows more in-depth monitoring and evaluation of the company social projects throughout the world. To date, the evaluation of results is calculated on the basis of parameters such as the number of beneficiaries, in some cases, and to what degree the planned objectives were reached.

Planning activities

The first step of the action plans in the community consists in collecting information on the socioeconomic and cultural features of the local communities where the activity is implemented. Environmental and social impact assessments are the main tool of Repsol YPF to understand the situation in its area of operations.

During the familiarisation phase, it is also important to carry out field work to identify the main actors in the communities (governments, municipalities, public bodies, economic groups, education and health, neighbourhood associations, NGOs, professional associations, etc.). Repsol YPF uses recognised institutions to carry out these studies.

In all new projects and for important modifications to existing ones, Repsol YPF identifies the social and environmental impact via Environmental and Social Impact Assessments (ESIA).

Furthermore, the company has systems and tools to identify and analyse the risks related to the impact of operations in local communities. Among the tools are, for example, the activities of communication and dialogue with the main interest groups or specific studies focussed on analysing the socioeconomic systems of the areas where the company operates in order to identify the needs and weaknesses of local populations.

Consultations with stakeholders begins before work is started, specially at the time when the ESIA is being elaborated and are fundamental for deciding the future action plans in the community. Dialogue is created via meetings with members of the communities. Sometimes these meetings are mediated by independent experts. An effective system to identify the needs of interest groups and

Objectives of the Commitment to the Community Programme

- To have a system that allows to recognise and anticipate social risks deduced from relations with local communities.
- To develop a functional model that allows to carry out activities with the community in a coordinated and efficient manner.
- To develop a model that defines the signs of identity of the company in its activities in the community throughout the life cycle of its operations.
- To create action plans on a corporate and national level that help to achieve the planned objectives.



local communities helps to develop action programmes in consensus and so prevent risks to operations and the company reputation.

Focussing action

The action lines of Repsol YPF regarding social commitment are intended as a response to the needs identified in the communities, and comply with the criterion of long life in order to give the community an investment for the future which will enable the communities to take their development into their own hands.

The programmes carried out during 2006 covered a great variety of matters and were implemented in all the countries where the company is present. In 2006 Repsol YPF and its foundations allocated 25.4 million euros to promote social and cultural programmes, principally in education and training, health, social integration, community development, and art and culture. This figure represents an increase of 12% over the amount invested in 2005. Overall, throughout 2006, 763 social and cultural action programmes were implemented by Repsol YPF, 24% more than in 2005.

The programmes developed by Repsol YPF tend to be carried out by entities of recognised prestige, such as CAF (Andean Development Corporation) which is developing different programmes in Ecuador; special mention should be made of the programme of Integral Development of Women of Sierra Norte; with the Inter-American Development Bank (IDB) via its Multilateral Investment Fund (MIF), together with the Foundation Codespa in Venezuela, Ecuador, Peru and Argentina; or also with the Foundation Codespa and with funds of the European Union, in Ecuador, the Programme for Professional Training of the Rural Young.

The actions carried out during 2006 are listed in detail in the following:

- *Education and training:* with university and post-graduate programmes developed by the Fundación Repsol YPF and other projects for primary and secondary education.
- *Community development:* Projects which can be converted into self-sufficient development projects and generation of development capabilities of the community where they are implemented.

33% of social investment was carried out in Argentina, Brazil and Bolivia, with a 190% growth in the last three years

**Repsol YPF's
social
commitment
programmes
developed in
sixteen countries**

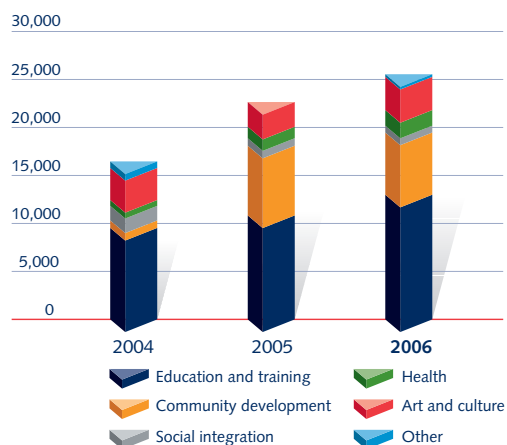
Both in education and training and in community development awareness projects on care and protection of the environmental are also carried out. Of the total social investments in 2006, approximately 1.5 million euros, the equivalent of 6% of the total, were used for this purpose.

Special mention should also be made of the participation by employees on corporate volunteer programmes intended to encourage and reinforce the study via education and training programmes as well as collaboration in community development programmes.

- *Health:* projects and programmes which help to improve the health conditions and the quality of life of local populations.
- *Social integration:* via projects which promote integration into society of groups in danger of exclusion.

In addition, Repsol YPF continued to collaborate throughout 2006 in the development of numerous projects of cultural patronage.

Investment in social cultural programmes
(thousand euros)



Investment in social cultural programmes

(thousand euros)

	2004	2005	2006
Spain ⁽¹⁾	9,714	10,856	12,806
Argentina, Brazil and Bolivia (ABB)	2,847	7,931	8,278
Rest of Latin America	2,904	3,590	3,569
Rest of the world	868	295	801
Total	16,333	22,671	25,455

(1) Mention should be made of ISE participation which reached 5,080; 5,580 and 6,383 thousand euros in 2004, 2005 and 2006, respectively, and which benefited students from regions where the company operates.

Allocation of social investment

Spain

Education and training	65%
Community development	9%
Social integration	2%
Health	5%
Art and culture	19%
Number of projects carried out	160

Bolivia

Education and training	7%
Community development	77%
Social integration	2%
Health	9%
Art and culture	4%
Others	1%
Number of projects carried out	144

Ecuador

Education and training	28%
Community development	52%
Social integration	2%
Health	14%
Art and culture	1%
Others	3%
Number of projects carried out	135

Trinidad and Tobago

Education and training	2%
Community development	42%
Social integration	53%
Health	3%
Number of projects carried out	26

Libya

Education and training	19%
Health	54%
Art and culture	27%
Number of projects carried out	3

Argentina

Education and training	55%
Community development	24%
Social integration	4%
Health	6%
Art and culture	11%
Number of projects carried out	149

Chile

Education and training	4%
Community development	83%
Social integration	13%
Number of projects carried out	4

Mexico

Education and training	44%
Community development	30%
Health	3%
Others	23%
Number of projects carried out	6

Venezuela

Education and training	14%
Community development	79%
Social integration	1%
Health	6%
Number of projects carried out	8

Mauritania and Senegal

Health	100%
Number of projects carried out	1

Brazil

Education and training	20%
Community development	55%
Social integration	25%
Number of projects carried out	5

Colombia

Education and training	43%
Community development	39%
Social integration	9%
Health	3%
Art and culture	6%
Number of projects carried out	52

Peru

Education and training	17%
Community development	50%
Social integration	10%
Health	1%
Art and culture	20%
Others	2%
Number of projects carried out	46

Algeria

Education and training	29%
Community development	23%
Art and culture	47%
Others	1%
Number of projects carried out	8

Portugal

Education and training	50%
Community development	29%
Social integration	8%
Health	13%
Art and culture	1%
Number of projects carried out	16



Contributing to education and training programmes

Repsol YPF considers education and training as the basis for development and the best tool of the future to achieve sustainable development. To this end, it allocates a large portion of its social investments to projects related to education and the creation of knowledge.

The support of Repsol YPF to educational programmes are directed primarily to children through projects which concentrate on primary and secondary education while, training programmes are directed primarily at adults via university and post-graduate programmes developed by the Repsol YPF Spain Foundation and the YPF Argentina Foundation with the active participation of the best professionals at Repsol YPF.

Education and care for the environment constitutes one of the priority actions of Repsol YPF Bolivia, which holds workshops from time to time for the schoolchildren in the communities where it operates within the framework of the programme "Our environment, our home" (*Nuestro ambiente, nuestro hogar*).

In 2006, and for the third consecutive year, training was carried out at 25 educational units in Santa Cruz, Cochabamba and Tarija. More than 3,100 students learned to handle and separate waste via theatrical and puppets shows. These activities were reinforced with the arrival of books and school material to help the children familiarise themselves with these concepts which will help them to apply nature conservation.

The Energy Higher Institute (*Instituto Superior de la Energía – ISE*), a source of specialists in the world of energy, is an educational post-graduate institution with international character which was born with the help of the Repsol YPF Foundation and has its offices in Móstoles (Spain).

The ISE teaches post-graduate programmes specially orientated to the energy industry. Its principal goal is to plan and teach courses with a clear corporate focus, directed at young graduates who wish to join a company as young professionals in the world of energy or chemicals. It also organises seminars and courses aimed at ongoing training of professionals in the energy and petrochemical sectors.

The training activities carried out at the ISE can be classified in two categories: ongoing training and specialisation courses. In 2006 the number of participants in these activities was approximately 1500. The greater part of the funds at ISE is allocated to specialised courses, where the number of foreign

13 million euros allocated to education and training

52% of total contributions by Repsol YPF in 2006

38% increase in investments in the last three years

Specialisation courses in the *Instituto Superior de la Energía*. Percentage of students

	1999-2007	2006-2007
Spain	52%	53%
ABB	24%	19%
Rest of Latin America	20%	25%
Rest of the world	4%	3%
Total	100%	100%

students is comparable to that of Spanish students.

In addition, Repsol YPF participates in the Fiscal Credit Program. This program is an instrument destined to finance technological and equipment purchase projects for educational program establishments through projects that entail education and work, and developed by educational organizations sponsored by companies. This program's eligible projects must contain a series of characteristics such as reinforce technological education at non university medium and superior levels and professional education, lead the participation of productive organizations and their articulation with educational establishments, attend to solve problems in unoccupied or sub occupied areas, the absence of qualified personnel and technical limitations of small local producers and last, focus the capacity with the principal productive activities of the region.

The participating educational institutions in the project must attain the patronage of a company in line with the present legislation and present it to *Programa de Credito Fiscal del INET*. Previously, the project is evaluated on its technical merit by specialists whom classify each project presented. In accordance with the obtained results, the INET approves the financing of the best positioned projects.

However, obtaining patronage from a company was transformed in an un savable danger for many schools. Due to which, starting in 2004, Repsol YPF agreed with the Institute to be the "open benefactor" for all the programs approved by INET which lacked patronage, permitting the formalization of many programs. In this way, during 2006, Repsol YPF, in the framework of and according to the terms of *Credito Fiscal*, financed 49 projects of technical enhancement and equipment procurement for schools in 19 Argentine provinces, with a total investment of approximately 900,000 euros.



In Peru we note *Matematicas para todos* program, focused on students and professors with lesser resources. This project has the objective of improving the mathematical output indexes of the peruvian student body. Each year students from five public schools in the Ventanilla area participate, location of the Pampilla refinery. The novel method developed looks to accomplish that children from all socioeconomic acquire logical reasoning to allow them to solve real problems and to discover the practical value of having solid knowledge of mathematics.

Rural Communities in the Patagonia



As part of the commitment and activity of the community in which it forms part of, Repsol YPF formalized a strategic alliance in 2001 with the *Fundacion Cruzada Patagonica* to support specific integral development and sustainable programs focused mainly on the Mapuche population (name of the indigenes people of that area of the Patagonia).

The selection of the foundation presented no risk as the decision was based on 20 years of uninterrupted and successful work in the region which produced a valued tie required by these communities.

As the strength of this alliance, with 6 years of joint work focused on education and sustainable development, we note the mutual correspondence and openness of this tie. From the company a great interest and compromise for the region and from the Foundation its vast experience and respect of the visions and customs of the communities, fluid dialogue and mutual confidence at the moment of planning and execution of the programs.

The alliance consists of three work pillars: education, rural development and institutional fortification.

Education

Recognizing that education is a fundamental pillar for development, 60% of the budget is directed at this program which takes its promotional centre actions at the *Centro Educativo Integral San Ignacio*, located in Junin de los Andes.

There are two types of schools at CEI San Ignacio: One of which is of medium level with a Technical Professional Trajectory in Production. The other is a semi presence adult Primary and Professional Formation Centre.

The school has Formation Workshops in: forestation, bee keeping, vegetable gardening, sheep & goat management, pig management, fowl management, and farm industries, tractor operator, chainsaw operator, carpenter and electrician. The youth graduate as specialist in agriculture goods and services. The attending students come from a radius in between 40 and 500 Km. This is due to lack of secondary education in the region of this modality and oriented in agriculture. The rural student demand rises year after year. From there the importance, given the enormous distances, is not only access to living quarters but also transportation. Bimonthly transportation is provided for family visits, as well as daily from the lodging facilities in Junin de los Andes to the school at CEI San Ignacio.

This is why the program provides, not only, scholarships for community youths and adults, but also for building maintenance, didactic materials, equipment and daily transportation for internal and external students.

Beneficiaries:

- Adult students with the attendance modality of semi presence (70)
- Youth students attending the professional formation workshops (157)
- Youth students attending EGB3 (154)
- Youth students attending the Polly modal and Technical Trajectory (40)
- Docents (58)
- Service auxiliaries (2)
- Total (481)

Rural development

With the objective of complementing the educational process and in order to expand the development possibilities, support is given via a program which provides technical assistance for productive family micro start-ups in remote rural areas.

These programs include the installation of hot houses for the production and monitoring of covered crops; the design and construction of water flow systems; pastures and water holding in far reaching communities; recuperation of the coast lines such as the Rio Malleo case through a forestation program in which 30% of the alliances budget is allocated.

Institutional fortification

Additionally, another important aspect to support which complements all the other programs developed by the institution is institutional fortification, which funds are allocated to. Internal communication workshops are developed by the foundation, implementation of an IT network to facilitate education and development in which social, private and public sector organizations partake; workshops of regional expression and competence.

Apprenticeships

- Throughout the year's work challenges surfaced which left as results apprenticeships that have been capitalized with the objectives to go deep into and add for the results searched.
- Several times it was necessary to take a steep back and adjust the programs with new requirements and needs that surfaced. In all the cases the importance was fluid dialogue, mutual confidence, clarity in setting and reaching flexible objectives, permitting tolerations.
- The continuity to the support towards the programs which allow its natural evolution consolidating the relation and reception on the part of the beneficiaries and fundamentally allowing long lasting changes.
- The simultaneous work with multiple areas, from the company and the foundation, resulted in an appropriation of the entailments and attainments.

Conclusion

Without a doubt, the development of the countries is a result of the compromise and the work of the players that comprise the society. The private sector with its investments and know how, which can be transformed to the communities in diverse ways and to whom it is fundamental to act out a role in prosperous societies. All assuming the responsibility which pertains to them: The social sector, with its sensibility and service vocation, the public sector with its reach and general vision. We believe this road and this alliance is an example of that, possible and real changes.

2015: A better world for Joana



"2015: A better world for Joana" is about a communication campaign of great reach directed at the fRC company interests groups, of which Repsol YPF is a member. It revolves around a symbol, Joana, a 9 year old girl whom represents millions of children whom will reach adult age in 2015. This circumstance serves as a conduit of the campaign to make society conscious of the necessity to cooperate in the attainment of these eight goals. At the same time value is given and reinforcement of the contribution that these companies are making in environmental sustainability, eradication of impoverishment, the fight against HIV or education.

In the next years, through Joana, the following objectives will be learned, advances in attaining them, the fRC companies' initiatives most closely related to them, and finally, in 2015 the accomplishments will be measured.

In definite, it is about the largest ever communication campaign related by a group of inter sector companies, which have placed themselves under the service of the UN, the governments, the citizens, the employees and the companies with repercussion in the present countries of which the Forum of Corporate Responsibility, more than 100 in all the continents.

Additional information in www.reputacioncorporativa.org and in www.2015unmundomejorparaJoana.com

Sponsoring community development

The development of communities constitutes one of the main goals of the social commitment programmes of Repsol YPF. Projects are selected in the basis that the greatest number of people benefit from them and which can be converted into sustainable programmes over time for developing endogenous capabilities in the heart of the communities where they are implemented.

In Venezuela, Repsol YPF has participated as financial collaborator in the "generically high quality pig production units project" to help women and rural families as owners of pig production units. The aim of the programme is to improve the living conditions of poor families who live in rural housing located in the communities of Sipororo and Agua de Ángel, in the municipality of San Genaro de Boconoíto, Estado Portuguesa. This town covers 1,031 km² and has a population of 22,049 persons.

These communities have a high number of nucleus families with single mothers, a factor which combined with the lack of sources of employment in the town, means its inhabitants have to search for alternative sources of income to allow them to satisfy their food, health, education and living needs.

The main objective of the programme has been to improve the living conditions of rural families through increasing their income and promoting the community organisation. In particular, support is offered for 7 months in the form of direct help to 12 families raising pigs with the aim of improving their productive units and improving the quality of their products and profit margins.

The programme favours families of single mothers or women otherwise on their own, a total of 65 persons approximately. Furthermore 10 productive units have been built with the resources of the *Convenio*

Pfizer of Venezuela and *La Casa del Nuevo Pueblo* and 2 productive units with resources of the Programa de Inversión Social of Repsol YPF, a reinforcing element of the Local Economy.

In Bolivia, "Sweetening life" (*Endulzar la vida*) is a micro production enterprise which benefits family groups in the neighbouring communities to the operations of Repsol YPF in Santa Cruz, Cochabamba and Tarija. The inhabitants have discovered an alternative source of income in the production of honey and a way of entering the market. The activity was promoted by the company which contracted a specialist to train the inhabitants and provided them with the first 400 bee nuclei, the supplies and the equipment needed to guarantee the sustainability of production.



The results are positive, considering that productivity has been increased 800 per cent. Today's new beekeepers produce derived products such as soap and home remedies and some have become facilitators for their neighbours.

The Volunteering Programme of Repsol YPF Peru called "Helping Hands" (*Manos Amigas*) is composed of employees at Repsol YPF who voluntarily carry out day assignments in schools, canteens and settlements in Lima and Ventanilla. In 2006 they collaborated in construction projects for modular houses for inhabitants of Ventanilla with limited resources, where approximately 100 volunteers of Repsol YPF participated. This initiative was carried out together with the NGO "A roof for my country" (*Un techo para mi país*), an institution composed by young volunteers who work in the most deprived areas of Peru, building wooden houses for those who live on the floor with rush mats.

The objective of this initiative is to integrate employees in activities of social responsibility which the company is promoting. The specific objective is to help to build houses in the Ventanilla area, a place where

Repsol YPF has one of its refineries. It is a case not only of building a house but also of interacting with the families, close breaches, share experiences, learn and have fun. The project aims to sensitise and generate commitment in the employees, showing them a reality which can be changed if they act together. The direct beneficiaries of the programme are 150 persons who now have a house in this district.

In Chile collaboration with *Sociedad Activa* (United Way International representative in Chile), consists of a multi company initiative with the objective is to combine company efforts in the direction of integral involvement of a specific community to break the circle of impoverishment of its inhabitants. The project is financed via economic contributions of the employees and the company makes up the difference up to the annual costs.

6.2 million euros
allocated to community
development in 2006

572% increase
in the allocation
of funds since 2004

25% of total
contributions by
Repsol YPF in 2006

Repsol YPF Founding Patron of the Fundación Dakar Solidario



The *Fundación Dakar Solidario* arose out of an initiative by the doctor Xavier Mir after his experience in Dakar 2004, where he participated as a member of the team Repsol KTM. He set up the first personal contacts with hospitals in the region and supplied some medical materials.

In order to realise this idea in a more efficient manner, Repsol YPF the *Fundación Dakar Solidario-FDS* (Dakar Solidarity Foundation-DSF) is created where founding patrons are Repsol YPF, Hospital Vall d'Hebron and *Insituto Universitario Dexeus* in Barcelona.

Repsol YPF is founding patron of the *Fundación Dakar Solidario* and provides the logistic infrastructure developed by its teams in the competition and the necessary economic resources to collect, transport and deliver medicines and medical apparatus. Without forgetting the unconditional collaboration of the Repsol team (pilots, mechanics, drivers and the rest of the team) in this humanitarian project.

The work of the Foundation is based on direct contact throughout the year with the hospitals on the Dakar route, in order to understand their needs and to be able to offer them the appropriate help. The objective of the Foundation is to increase each year the number of hospitals which receive help, but always maintaining monitoring of the previous ones. In concrete terms, the medical centres receive material to help them deal with diseases common in Africa such as meningitis, parasitosis, dehydration, diarrhal or conjunctivitis.

During the 2006 competition, seven hospitals were visited, two in Senegal and five in Mauritania. During these visits their needs were assessed and contact was established in order to prepare the requested help.

For more information see www.repsolypf.com

Collaborating in programmes for health

Under the heading of health projects, Repsol YPF is collaborating in projects and programmes which help to improve the quality of life of the population where the company has its activities.

The improvement in health conditions, the prevention of accidents and disease, medical attention as well as the improvement in services and infrastructure are some of the initiatives which the company is implementing within the scope of promotion and sensitisation in questions related to health.

Repsol YPF collaborates with the Red Cross through the "HIV Prevention project and fortifies ambulance service in Trinidad and Tobago". Trinidad and Tobago's Red Cross established the HIV Program Office in November of 2003.

Currently Repsol YPF continues to collaborate with the Red Cross in Trinidad and Tobago to achieve the following objectives such as reinforce and promote the prevention of HIV/AIDS; train volunteers in providing up to date information to the public on HIV/AIDS as well as other information related to health; sensitise Red Cross personnel in all health matters; and equip departments with suitable audiovisual material to facilitate the tasks of education and sensitisation.

The first internal evaluation of the project showed very satisfactory results. In particular the project has improved and increased the prevention activities of the Red Cross of Trinidad and Tobago, contributing to the spread and consolidation of a network of volunteers and services for carrying out tests.

In Peru the agreement signed with the World Food Programme of the United Nations should be mention. With this programme, the La Pampilla refinery is

Integration of persons with differing abilities in Campsared

1.7 million euros allocated for health in 2006

233% increase in the budget provision since 2004

7% of total contributions by Repsol YPF in 2006

contributing to the nutritional development of the infant population of the settlement Pachacútec, located in Ventanilla, where La Pampilla operates. This Project has as its goal not only to reduce and prevent malnutrition, but also via the educational component of nutrition –its principal characteristic– to train the mothers in questions of health, nutrition and hygiene, hence converting them into promoters and education leaders in their community, thus making sustainability possible. This pilot programme is helping more than 500 persons, children under five years of age and pregnant and breast feeding mothers.

Repsol YPF is a member of the Pro-CNIC foundation with the objective of contributing to cardiovascular investigation in Spain, converting the *Centro Nacional de Investigaciones Cardiovasculares* (CNIC) in a world reference basic and applied cardiovascular research centre.

Promoting social integration

Repsol YPF is collaborating in the execution of projects of social integration, aimed at groups at risk of exclusion and deprived groups, with the objective of improving their possibilities of integrating into society. These projects are general developed by specialised organisations in healing with these groups.

Within the activities of integration of disabled persons carried out by Repsol YPF, special mention should be made of the work carried out by Campsared, a company belonging to the Repsol YPF group that manages the direct network of service stations.

The policy of integration carried out by Campsared is developing within the following fields of activity:

Direct employment

Since 2005 Campsared has integrated mentally disabled workers in collaboration with Labor 3 AFANIAS and APADIS in the SPRINT shops of Madrid where they carry out duties such as filling shelves and working in the bakery and pastry sections.

The integration of persons with different abilities at service stations is carried out on a continuous basis. During 2006 five courses of occupational training before incorporation were held, given by the *Centro de Formación Comercial* of Repsol YPF with the collaboration of different public and private entities in the preselection of candidates (IVADIS, FUNDOSA, Employment Agency of the City Council of Madrid and PAIDEIA). At their central offices, Campsared, in collaboration with Workpoint and Fundosa, preselected candidates with physical, mental and sensorial disabilities for administrative and technical posts.

Training

Campsared has developed a proactive training policy on the basis of the needs depending on the various groups. It has a commercial training centre, officially recognised and run by professionals with a wide experience, which includes training disabled persons.

Contracting goods and services with special employment centres (*centros especiales de empleo-CEE*)

The total amount of subcontracted products and services during 2006 in Campsared was 26,778.02 euros for gardening services and corporate gifts.

It should be mentioned that the City Council of Madrid has awarded the concession of the Hortaleza Social Project to Repsol YPF, to create a Special Employment Centre which consists in a training centre and a service station managed by Campsared, which shall be a motor to generate employment and facilitate the social and workplace integration of the most disadvantaged groups which are in danger of exclusion from society.

During 2006, and following the disabled persons integration policy, Campsared has incorporated 69 persons out of the 120 who were hired with an eventual contract along the year.



0.8 million euros assigned to social integration in 2006

3% of the total of Repsol YPF contributions in 2006

In Spain, it is worthy to note the continued collaboration with the Bobath Foundation, which in 2006 has centred its activity in attaining the social-labour insertion of people with severe paralysis and brain damage, through the enhancement of personal abilities and in theoretical-practical knowledge in the area of administrative management.

Within the integration of persons with different abilities, Repsol YPF collaborates since 2003 with the *También* Foundation in the Adapted Cycling to disabled people in Spain. This project uses the cycling sport discipline to help this collective development and rehabilitation.

The actions designed for social integration are particularly relevant in Brazil. In December 2006 the project *Sonhar Acordado* was declared completed, developed by the social organisation with the same name and with the support of Repsol YPF. The objective of the project was to promote the social integration of children

and young people and to promote moral, cultural and social values in order to offer them an opportunity of living a better life.

Sponsoring art and culture programmes

Repsol YPF supports projects related to dissemination of culture, including music and plastic arts. In this way, Repsol YPF collaborates with museums, exhibitions and initiatives in disciplines such as photography, painting and sculpture. It should also be mentioned that Repsol YPF is collaborating with local councils in the areas where its activities are centred in the development of activities such as the promotion of local culture or the artistic heritage.

In Argentina, *Argentina Pinta Bien* is an art programme on a national scale which Repsol YPF planned together with the *Centro Cultural Recoleta* of Buenos Aires and the *Asociación Amigos* with the aim of promoting and expanding the work of visual

artists in various provinces of Argentina. Starting with a survey of all the plastic works of art carried out in conjunction with the cultural institutions of each province and the curator's team of the *Centro Cultural Recoleta*, works are selected for the exhibition. An interesting contribution in the second stage of the programme is the incorporation via invitation of a curator from each province which enriches the work considerably with the variety of viewpoints which are presented.

Argentina Pinta Bien has been underway since December 2003 and has already travelled through eleven provinces of Argentina. In order to bring the exhibition closer to the public, complementary activities are organised such as workshops, conferences with the artists, guided tours and presentations addressed to a large audience. The first stage covered the provinces of Córdoba, Chubut, Mendoza, Neuquén, Río Negro and Santa Cruz. By way of closing this stage, a large exhibition was held which encompassed all the local exhibits and which took up the whole of the *Centro Cultural Recoleta* in the city of Buenos Aires. The second stage of the programme, started halfway through 2005, covered the provinces of Corrientes, Jujuy, Salta, San Juan, Tierra del Fuego and shortly the province of Tucumán. In the near future, to close the second stage, it is planned to hold another large exhibition in the *Centro Cultural Recoleta* of Buenos Aires, which will take place during the first half of 2008.

Apart from the satisfaction of being able to carry out such a programme for so many years while maintaining the commitment and enthusiasm of all participants, special mention should be made of the indirect achievements such as the links among institutions, artists and new projects which arise from these links. It is neither easy nor common to find such an ambitious project as this developed in conjunction with the private and public sectors. Fortunately,

Argentina Pinta Bien is, at least in this sense, a good example of what is possible.

Other programme to be mentioned in Argentina is The week of art 2006 (*Semana del arte 2006*), an initiative of the editorial *Arte al Día* which Repsol YPF has been accompanying since its beginning in the year 2004. This unique event has as its main objective to bring art closer to the people with the goal that each time more people visit art centres and participate in the activities which are free of charge. People should enjoy art while getting used to visiting Galleries and Museums, not as an exclusive activity which they only do when they are travelling. The city will transform itself into an open-air art centre for a week. In order to disseminate the project and enrich it, every day activities will be held such as guided tours, conferences, accompanied by music to make this week a unique event.

In addition the Ministry of Culture of the City of Buenos Aires is participating in the closing of the week in *La Noche de los Museos* (The Night of the Museums) when 70 museums of the city remain open until the early hours of the morning to offer visitors a free look at their cultural heritage.

3.35 million euros
allocated to art and
culture

13% of the total
of Repsol YPF
contributions in 2006

*The priority is to give a global approach
to Repsol YPF's actions in the community
that will allow at the same time adaption
to local circumstances*

In Peru, Repsol YPF collaborates and promotes the restoration and rehabilitation of the important cultural heritage of Peru, such as the organ (the oldest in America), the altar and the pictures in the lateral naves of the Church Andahuaylillas (Cuzco) as well as other objects dating from the XVI to XVIII century.

A room in the *Museo de Arte Contemporáneo* of Arequipa, a city which is home to the first modern national art museum of Peru, has been restored. This centre houses the history of Peruvian visual arts as well as changing exhibitions to promote young artists. In addition, the committee "*Amigos del Museo de Arte de Lima*" is involved, contributing to the restoration and conservation of paintings and tapestries of the XV to XVIII centuries which will be exhibited in the permanent exhibition rooms of the museum after a process of restoration.

*Foundations coordinate their work
and complement their social commitment
actions motivated by Repsol YPF*

Foundations of Repsol YPF

The Repsol YPF Foundation, YPF Foundation and Repsol YPF Ecuador Foundation work in a coordinated form and complement their social commitment activities supported by Repsol YPF. They allocate their resources primarily to encourage the promotion of studies in the field of science and technology in areas related to mineral oil, gas, electricity and petrochemicals.

Repsol YPF Foundation

The Repsol YPF Foundation has amongst its objective programmes which can be of general interest, cultural, social scientific, educative characters and which promote research activity. The foundation has agreements with institutions such as the Polytechnic Universities of Madrid (Cátedras Repsol YPF) and Cartagena, the University of Castilla-La Mancha; University of Rovira i Virgili; the University of Oviedo (Ramón Querol course); the University Rey Juan Carlos I; the University Pontificia de Comillas; the University of Valladolid; Heriot-Watt University in Edinburgh and Harvard University. It also has agreements with the Fundación Carolina, with the *Centro de Educación a Distancia para el Desarrollo Económico y Tecnológico* (CEDDET – Centre for Distance Learning for Economic and Technological Development), under the auspices of the Ministry of Economy and Finance of Spain and the World Bank and the Government of Trinidad y Tobago (The University of West Indies).

In 2006 the sixteenth meeting of the Seminar Repsol YPF-Harvard was celebrated, an annual forum for reflection and debate on a high level, where politicians, businessmen and academics analyse with an open mind the most important questions related to energy in all its aspects. The 2006 event was held in Barcelona and was entitled "Security and Transparency in Energy Markets".

YPF Foundation

The objective of the YPF Foundation is to promote, participate in, stimulate and act in initiatives with cultural and educational characters and in particular to promote scientific investigation and the professional and technical preparation of young people. It also collaborates with the company in matters of corporate responsibility and heads the corporate programme of volunteering. Its primary activities are developed through open competitions with independent selection committees and are destined to offer scholarships to finance studies at home and abroad; it supports schools, institutes, universities and research centres; it carries out activities to help develop scientific and technical research and professional improvement; it concludes agreements with other entities for projects which reflect the objectives of the foundation; and it contributes with activities that try to improve living conditions and preserve the cultural heritage of the community.



Repsol YPF Ecuador Foundation

The Repsol YPF Ecuador Foundation contributes to the social development of the country by supporting initiatives which help to resolve the problems of inequality of exclusion of vulnerable sections of the population, encourage the talents of children and young people through academic training and encourage ethics, peace, appropriate handling of natural resources and conservation of the environment.

The Repsol YPF Ecuador Foundation establishes strategic alliances with specialised entities or with grass-roots social organisations to carry out social development projects.

For more information see
www.fundacion.repsolypf.org
www.fundacionypf.org.ar

Repsol YPF's Foundations investment in 2006

	Investment (thousands €)	%	N° programmes
Repsol YPF Foundation	7,455	78%	5
YPF Foundation	1,919	20%	16
Repsol YPF Ecuador Foundation	228	2%	22
Total	9,602	100%	43

Our people, our competitive advantage

*Repsol YPF's employees are appreciated
and rewarded in a framework for diversity respect,
complementing actions which promote personal
and professional life balance*



Repsol YPF understands that today the competitive advantage of any company is achieved by appropriate management of the persons who compose it. The company is aspiring to attract, motivate and retain the best professionals by transforming itself into their favourite company to work at. Also, the company appreciates the diversity of the people who work in the organisation, the commitment to professional development and integration of personal and professional life, matters which are formalised in the Policy on Human Rights, Respect for People and their Diversity and are distinctive elements of the company which makes it especially attractive for its current and potential employees and who constitute a source of competitive advantage.

According to the principles contained in the Policy on Human Rights, Respect for People and their Diversity, Repsol YPF recognises the rights of its employees and commits to non-discrimination, promotion of equal opportunities and diversity.

Repsol YPF's employees are valued and recompensed for their talent, in a framework of respect for diversity, complementing activities which promote a balance between personal and professional life.

Repsol YPF needs the skills and the talent of its employees to achieve its strategic plan, fulfil its agreements with all stakeholders, ensuring corporate success and excellence in management.

The personnel management model gives Repsol YPF different capabilities which cannot be imitated by its competitors to give it advantages in its markets.

External opinion

"In the last decade, businesses have experience a large vast change and transformation. The fall of monopolies, natural and artificial, has created uncertainty and competition on a grand scale.

Today, oil activity is in the middle of a great transformation. Environmental requirements, political crisis, technological advances, reduction of reserves, demographic alterations, are factors that drive the changes.

In this context, the "Human" organization has demonstrated its key as to sustainability. The successful organizational cultures are impossible to replicate. These are built at a snails pace, in day to day decision making over time. They require integration and make use of culture, gender and formation. Only the organizations that make use of the human process of quality and long term relations with its people will possess this competitive edge.

On the other hand, people demand from the companies the satisfaction of their necessities. Requiring be respecting, listening to and recognizing. Requiring professional development opportunities and to be the owners of the work they realize. In definite, requiring, that the "person" be the "centre" of the economic activity.

The investment in human capital is transformed in a strategic investment which must be developed with equal or more dedication than the investment in the most important physical asset.

The companies which harmonize the context requirements with their people's necessities will be the one's which will best deal with the challenges to come and will be able to maintain their leadership."

Alejandro Sioli. IAE professor (Escuela de Direccion y Negocios de la Universidad Austral) and Human Resource specialist.

Internal opinion

"At Repsol YPF we are convinced that attracting, retaining and developing the best professionals is key to achieving the objectives of the Group. In a context where the challenges facing the energy sector are increasing daily, it is the people who create and ensure the best relation with the environment where we operate and who allow the company to achieve its objectives successfully.

For this reason in 2006 we listened to the people in the Group through the questionnaire on the work environment, we have recognised the need to develop people in People Review sessions and we have initiated new programmes such as "Management by Commitments" to ensure that people's efforts are recognised and valued. We are revising the corporate training models to ensure that people who make up Repsol YPF can grow with the company, developing a high level of technical competence and excellent skills in management, leadership and ensuring that they are exemplary for the different behavioural models. At Repsol YPF we also believe in the diversity of our employees. And not because it is politically correct but because it is an essential requirement for our future.

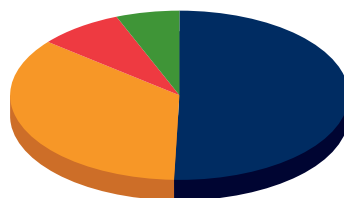
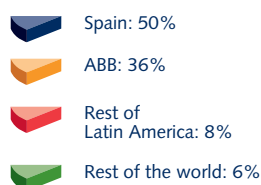
We want to be a reference company which can attract and retain the best professionals. To this end we are continuing to listen to people and doing everything possible to develop their whole potential."

Jesús Fernández de la Vega
Group Managing Director of Human Resources

36,931 employees as
of 31 December 2006

32,723 permanent
contracts as of
31 December 2006

More than 34,000
supervised workers
in 2006



The workforce of Repsol YPF

The employees at Repsol YPF are distributed across more than 30 countries, although approximately 80% are concentrated in Spain and Argentina.

The rate of employees who voluntarily left the company in 2006 was 2.18%. During 2006, Repsol YPF received job applications, measured in terms of CVs received, from more than 120,000 potential candidates.

Workforce by geographical location

	2004	2005	2006
Spain	17,175	18,212	18,522
Argentina, Brazil and Bolivia (ABB)	11,897	12,696	13,104
Rest of Latin America	2,681	2,866	3,137
Rest of the world	1,584	2,135	2,168
Total	33,337	35,909	36,931

Workforce by professional category

	2004	2005	2006
Directors	292	302	308
Technical managers	1,650	1,872	2,171
Technical staff	12,132	13,557	14,625
Admin. staff	2,424	2,568	2,509
Operators	16,839	17,610	17,318
Total	33,337	35,909	36,931

Workforce by type of contract

	2004	2005	2006
Permanent	29,403	31,536	32,725
Temporary	3,934	4,372	4,206
Total	33,337	35,909	36,931

Voluntary rotation

	2004	2005	2006
Total number of voluntary resigning permanent staff/average accumulated workforce	2.70%	2.27%	2.18%

Personnel expenditure

(millions euros)

	2004	2005	2006
Salaries and wages	920	1,134	1,238
Social contributions	316	408	436
Total	1,236	1,542	1,674

Average expenditure per employee (€)

	2004	2005	2006
Average expenditure per employee (€)	38,161	43,758	45,328

Number of employees and supervised workers

	2005		2006	
	Employees	Supervised workers/ Own employees	Employees	Supervised workers/ Own employees
Exploration and production	3,018	476%	3,661	415%
Refining and marketing	20,075	44%	20,421	51%
Chemicals	3,208	55%	3,213	71%
LPG	2,792	108%	2,580	129%
Gas and power	2,192	8%	2,153	4%
Other	4,624	55%	4,903	56%
Total	35,909	86%	36,931	92%

Personnel management at Repsol YPF: a planned process

Between the months of February and April 2006, the Corporate and Executive Divisions called their top management together, and in some cases key personnel, to a series of work sessions with the following objectives:

- Progress the management model of the company, identifying the challenges and areas for improvement in each section.
- Facilitate the implementation of organisational structures.
- Identify a programme of initiatives which encourages behavioural models in the company: accepting responsibility and results orientation, entrepreneurial spirit and excellence, recognition depending on merit, collaboration and personnel development. This programme has been included in the performance evaluation for managers and heads of each section.

15 work sessions were held in Spain and Argentina with 460 participants, both managerial and non-managerial, from 16 different nationalities.

Work sessions

N° off-site	15
N° of persons participating	460
% managers	28.91%
% women	28.91%
% non-Spanish	34.13%

Dialogue and the possibility of sharing experiences was one of the aspects most highly rated by the participants who valued the opportunity to define organisational challenges, implementation plans and determination of objectives.

Furthermore, and to encourage personnel management as a key factor for the competitiveness of the company, since 2005 a tool is being rolled out across the company, HR Annual Plan (PARH) which helps to plan all activities relating to Human Resources for one year in one particular organisational unit.

Management by Commitments in a few words:

Tools

- Units Objectives
- Individual performance
- Development Plan
- Ranking

Purposes

- Responsibility
- Development
- Recognition

Results

- Motivation
- Commitment

Focus

- People



Each year, the management team of the organisational unit, with the support and coordination of the human resources representative, is responsible for elaborating this Plan which is part of the planning cycle of the company.

The contents of PARH are determined by the business strategy for each section, their objectives, requirements and specific conditions. Some of the contents of these plans are: the Annual Employment Plan (PAE) and Budget, Plan for Successions, Mobility Plan, Training Plan, Communication Plan, etc.

Performance and professional development

In 2006 throughout the Group, the Management by Commitments (GxC) model was introduced. This management model was born with the objective of aligning the work of the teams and the use of resources with the strategy and behavioural models which the organisation considers necessary to achieve the best results.

This model focuses on the people and their development and has become part of personnel management of the company. Management by Commitments aims to encourage acceptance of responsibility, recognition of merit and professional development of Repsol YPF's employees.

This management system has been applied to more than 10,000 employees at various levels and worldwide, with the objective of encouraging assuming responsibility,

recognition and professional development, based on constant dialogue and communication between managers and co-workers. This system allows the performance assessment of the person via evaluation of proofs related to the fulfilment of commitments depending on their Functions, Responsibilities and Projects (FRP) and Behaviour.

Management by Commitments means commitments and contribution of each person with regard to the objectives of his/her unit and his/her functions, responsibilities and projects. In similar fashion but equally important, each person makes a firm commitment at the beginning of the year to adhere to the behavioural models which the company wants to encourage and to carry out the actions in his/her Individual Development Plan. The Individual Development Plan includes actions agreed between manager and co-worker such as planning for the year to improve performance and general professional improvement.

Management by Commitments constitutes a powerful tool of cultural cohesion in a group as extensive as Repsol YPF.

Management by Commitments centres its attention on people, encouraging responsibility, recognition and professional development based on constant dialogue and communication between managers and co-workers.

This communication is formalised in three sessions per year:

- Definition of commitments, at the beginning of the financial year.
- Monitoring of his/her progress throughout the year, with a formal revision halfway through the year.
- Evaluation at the end of the year.

Training Plan to facilitate Management by Commitments

To facilitate the implementation and to inform the persons involved about the new System of Management by Commitments, the Training Plan started at the end of 2005 has been continued in 2006 and is divided into three modules:

- Module I: Launch of the Management by Commitments System.
- Module II: Roll-out of the Annual Evaluation and Ranking of Performance phase.
- Module III: Training for the persons responsible for ranking.

Module I, carried out between November 2005 and February 2006 and aimed at all persons included in the system, had the goal of publicising this new system and the pillars which it is based on. In the case of managers, the training sessions introduce them to the keys of Management by Commitments, train the role of personnel manager and develop some of the skills needed to improve personnel management in the company.

This first training module was completed with the handout to managers of the various support materials. This kit contains leaflets which summarise the main concepts learnt in the courses as practical advice for preparing interviews and to initiate the implementation of the new model.

Subsequently, and after approval by the Executive Committee of the evaluation system and the annual elaboration and ranking of performance, a second module was implemented with the objective of publicising and explaining in detail the phase of annual evaluation and ranking of performance.

10,398 employees with individual evaluation of their performance in 2006, 74% increase respect to 2005

94% growth of personnel involved since the beginning in 2004



Module II was completed between July and October 2006 and was divided into three phases aimed at persons in the Human Resources section, managers and other employees included in GxC.

- *1st Phase:* Training for Human Resources. Aimed at specialists and managers in the Human Resources field, the objective was to explain in detail the phase of Annual Evaluation and Ranking of Performance within the system of Management by

Commitments and train them to give support to managers in the sessions they hold with their teams when presenting the system and to be able to resolve any questions which the employees may have about the system.

- *2nd Phase:* training of managers. Aimed at managers, the objective was to train them in their role as evaluators and transmitters of the system. Of the aspects to emphasise from these sessions, which were assessed as being very positive by management, the presence of the President, Antonio Brufau, in Madrid and Buenos Aires, should be mentioned as a key factor in progressing the roll-out of the GXC system.

- *3rd Phase:* Information sessions for everyone included in GxC. During these meetings the manager of each unit, together with the human resources representative, informed their teams about the phase of Annual Evaluation and elaboration of Ranking of Performance.

The whole organisation

	2004	2005	2006
Total number of employees (a)	33,337	35,909	36,931
Number of employees who receive a formal performance evaluation and revision during this period (b)	5,365	5,943	10,398
Percentage of employees who receive a formal performance evaluation and revision during this period (b/a)	16%	17%	28%

Persons included in Management by Commitments by Executive Division in 2006

	N° of employees
E.D. ABB (Argentina, Brazil and Bolivia)	3,987
E.D. Communication and Head of Chairman's Office	113
E.D. Control and Corporate Development	46
E.D. Downstream	3,097
E.D. Finance and Corporate Service	1,664
E.D. Human Resources	418
E.D. General Counsel and Secretary of the Board of Directors	141
E.D. Upstream	932

Module III: During the first quarter of 2007 this module was presented aimed at the persons responsible for ranking. The objective was to train them in this new role within the organisation which is key for correct implementation and start-up of the system.

The Number of people who received training in 2006 as a consequence of launching and setting up the GxC system was 6,619 employees with a total of 51,324 hours.

Managing the talent of the organisation

Attracting talent

Repsol YPF has various tools for searching and attracting talent which it wants to incorporate. Proof is the rate of voluntary rotation which in 2006 was 2.18%, lower than the previous year.

Repsol YPF participates in various employments forums and scholarship programmes, collaborating with different universities and academic institutions worldwide. The main objective of these activities is to give students the opportunity to apply their knowledge and as a company to have a significant proof of their potential for possible collaboration in the future.

Retaining talent

With regard to managing talent throughout 2006 various People Review Sessions were held. This practice has become part of the personnel management model at Repsol YPF with the objective of "making talent blossom" that exists in the company, to know better the collaborators and to encourage two key behavioural models: recognition of merit and development of persons.

In these sessions, each area worked on three basic lines:

- Identify talent: searching for persons with the best potential for development.
- Develop talent: establishing development plans for some of these people.
- Manage talent: ensuring that key posts are filled with suitable persons, both short and medium term.

Repsol YPF is aiming to encourage diversity of nationalities, sex, technical careers and management.

20 different sessions of People Review were held between the months of April and December 2006, with the presence of the Executive Directors and the members of the business / section committees.

Participants in the sessions reviewed 194 critical positions and considered in detail 1,486 people, of which 82.6% were not managers.

The process culminated with People Review session of the Executive Committee of the company, held in November, which gave a global and shared vision of the management talent which exists at Repsol YPF.

All this was closely encouraged and supported by the Human Resources Committee, and will be repeated annually as part of the personnel management model of the company.

Repsol YPF participates in work forums, scholarship and intership programmes and collaborates with universities and academic organizations worldwide

People Review

Nº of people reviewed	1,486
% non-managerial	82.60%
% women	20.70%
% not Spanish	54.60%
Average age	42.4

Repsol YPF
revises
continuously
the company's
existing skills
through
Competencies
Evaluations



Within this process two facts should be emphasised:

1. Direct involvement of the members of the Executive Committee and top management of the various business units in talent management at Repsol YPF which has helped to homogenise and agree the criteria by which the potential of people is evaluated.
2. The impulse that is happening to the implementation of values so important for the company as:
 - Knowledge of personnel.
 - Managing talent outside their own business unit, searching for the best candidates throughout the company.
 - The presence of diversity criteria in management.

In some sections the resultant actions from the People Review sessions have already been implemented:

- Movement within the organisation, both in managerial and non-managerial positions.
- Promotion.
- Elaboration of individual development plans for the people evaluated and assigned to key projects, specific training, both technical and managerial.

Development of internal talent

Repsol YPF continually traces the existing skills in the company via the Competencies Evaluations. This is a vital task to achieve the level of excellence in management which Repsol YPF aspires to, given the size, geographical spread, cultural variety,

different businesses and general and specific skills that exist within the company.

Competencies Evaluation

In 2006 the following Competencies Evaluation Campaigns were carried out:

- LPG worldwide: ENARM (Europe, North Africa and rest of the world) aimed at 230 people and in Latin America aimed at 362 people.
- Peru: Management control aimed at 11 persons, Refining aimed at 87 people and Supply & Distribution aimed at 14 people.
- Technology: aimed at 14 people.
- Exploration and production: Phase I of competencies evaluation in 10 disciplines for a total of 1,889 people.

Matching of technical skills and jobs specification

In addition, in 2006 the project of matching technical skills and jobs specification for the LPG business was completed.

Currently Repsol YPF is progressing similar projects in the fields of Purchasing and Contracting, Marketing Spain and the Financial-Economic field.

Mobility

Mobility is an important factor for professional development at Repsol YPF. In this way, its employees have the opportunity to know at first hand the various businesses as well as learning different skills throughout their professional life.

During 2006 the Norm for Filling Vacancies, approved in December 2005, was implemented and includes criteria approved by the Executive Committee. The main

objective of this norm is to encourage the professional development of employees via internal mobility and optimisation of the workforce to guarantee that the most suitable professionals are available and are best prepared for each section and post.

31 new managers were selected in 2006 with an average age of 44 years.

Repsol YPF has a specific space on its intranet to release vacant posts. In 2006, internal promotion helped to fill a large majority of the total vacancies of the company.

The Management Unit for Expatriates deals with the needs of employees working abroad. In addition, Repsol YPF participates in the Spanish Forum for Expatriation (FEEX) where it interacts with a considerable number of large Spanish companies.

Indicators of mobility of managers in 2006

Nominations: new managers	
Nº of new managers	31
Average age	44.5
% women	6.5
% not Spanish	45.2
External hires	2
Nominations: changes in position	
Nº changes in position	54
Average age	50.9
% women	3.7
% not Spanish	16.7
Resignations	
Nº of resignations	23
Average age	53.1
% women	4.3

A culture of closeness to senior management

During 2006 a total of 17 meetings were held with the President of the company where more than 400 employees from four countries participated: Spain, Argentina, Venezuela and Trinidad & Tobago.

ED/CD	Meetings	Participants	Women	Men
ABB (Argentina, Brazil and Bolivia)	3	69	18	51
Downstream	4	93	26	67
Upstream	3	58	16	42
Finance and Corporate service	3	67	19	48
Human Resources	1	21	16	5
Legal Affairs	1	22	9	13
Control and Corporate Development	1	54	28	26
Communication and Chairman's Office	1	22	13	9
Total	17	406	145	261

The objective of these meetings was to share with the President worries and cares of each section and to identify and implement initiatives that help to face the challenges and projects of each unit. A total of 41 initiatives were identified throughout 2006.

At each meeting the challenges for each unit were dealt with and planned change processes were analysed and their implementation in different units. In particular concrete initiatives to face challenges and key ideas to accelerate the process of change in the different units were identified.

ED/CD	Business Area	Initiatives
ABB (Argentina, Brazil and Bolivia)	Refining and Logistics Arg. (Lujan de Cuyo)	1
	ABB E&P (West Argentina)	1
Total ABB		2
Downstream	Marketing Europe/Services Stations	4
	Chemicals Tarragona	1
	Refining Tarragona	6
	LPG Spain	2
Total Downstream		13
Upstream	Caribbean/Trinidad & Tobago	5
	Caribbean/Venezuela	3
	Upstream Madrid	3
Total Upstream		11
Resources	IT Systems	12
Total resources		12
Communication and Chairman's Office	Communication and Chairman's Office	3
Total communication		3
Total initiatives		41

Creating a more attractive company

Work Climate Survey

In September 2006, Repsol YPF launched the second edition of its Work Climate Survey to measure the overall degree of satisfaction and commitment of the employees. It is a study of great importance for the future of the company since in the light of its conclusions measures and actions for improvement are implemented.

Despite the fact that traditional work environment studies tend to measure factors directly linked with aspects such as the line manager, communication or team work, in 2006 this focus was enlarged, identifying other factors which also affect the environment, albeit in an indirect way. This information is very useful for improving the degree of satisfaction. To this end, more than 30 discussion groups have been started. Moreover, in-depth discussions with the President and with members of the Executive Committee have been held.

Persons who participated in the Study were employees of the own permanent staff of Repsol YPF, nearly 24,000, a participation of 81.5%, which gives the Study a high degree of representativity. The results have been processed and published in more than 200 reports, one for each area of activity with more than 25 responses, in addition to special reports on specific sectors of the company.

Results

In December the overall results of the Work Climate Survey were published.

The high level of participation in this edition permits, therefore, a precise diagnosis of the company's work climate. The main conclusion of the Work Climate Survey is that, even though employees generally appear to feel satisfied at work, short and

medium-term improvements will be necessary in specific matters and areas. Without important differences according to activity area, professional rank, age or seniority, the Survey's results show staff to be satisfied overall. As a measure of proof: seven out of ten employees are proud to be part of Repsol YPF and also the number of those who would recommend the company as a good place to work has increased in comparison with the Study carried out in 2003.

However, this general satisfaction does not prevent them from being critical and pointing out a series of issues related to their daily work they could feel more satisfied about. Personnel management, organisation and flexibility in his/her area and the compensation and promotion policy are among them.

These factors precisely are the ones that, as employees admit in the survey, most influence their satisfaction in the company. Regarding personnel management issues, the general opinion is that the systems designed to award good work, compensate employees and retain good professionals should be improved.

Generally speaking, Repsol YPF staff are satisfied with the climate in which they carry out their daily work, the fluid internal communication and conditions in the workplace. They also positively rate, overall, their relations with managers, as they are treated with consideration and respect and it is easy to approach them to make any kind of inquiry.

We should add to these elements of satisfaction the identification of employees with values of a company that offers not only work stability, but also a solid business plan. And here, in the view of the employees, Repsol YPF has a good public image, offering best quality products and services.



Next steps 2007

The results of the Study provide a starting point for work in 2007. The Work Climate Survey gave us the opportunity to get to know the opinion of employees on aspects which influence the working environment. With the global results published, the time has come to pass on specific results to each unit specific results reports for all the areas that had a sufficient volume of replies.

The aim of this strategy is the following: to make the consolidated results of each unit available to all those involved in the project, whether by participating in the groups or filling in the questionnaire. Therefore, businesses and activity areas will have available specific information about their areas to share with their teams.

*Employee portal
improved its
contents in 2006
with the so-called
Manager Channel
incorporation*

The communication of global results started in December 2006 with a message from the Chairman, Antonio Brufau, in which he announced the first diagnosis of the study's results. A space has also been set up on repsolnet where the global results and participation data can be checked by countries and business units, among other contents. Information is also available on the areas that will be given their own results reports.

The publication of each unit's specific results was carried out during the first four months of the year. Businesses and activity areas will be in charge of organising the corresponding areas' presentations, a task of great importance so that we could have a clear and precise view of the labour climate in our work place.

These specific reports shall be delivered to the units which submitted at least 25 completed questionnaires with the same classification criterion. Once the units have their reports, the different Management Committees of activity areas will analyse the results of their unit, identify the areas for improvement and establish plans of action focused on those issues that affect the business exclusively.

The transversal lines of work identified, that is, those that concern the entire organisation, will be sent on to the relevant department for them to put global action plans into place. The development of the improvement lines has a reference framework provided by the Repsol YPF Executive Committee and which was mentioned by the Chairman in his message in relation to the global results and which is based on three aspects: acknowledgment in terms of merit, diversity and personnel management.

Other actions aimed at improving personnel management in the company

Employee portal

The role of team managers is the cornerstone supporting this model at Repsol YPF. In order to help them perform this task with the greatest effectiveness, the employee portal extended its scope in 2006 with the inclusion of the so-called Manager Channel, which supplies these team leaders with all the information they need for their daily management tasks.

For example, in the channel there are practical recommendations for managing teams, elaborating the Annual Human Resource Plan (PARH) or tackling different situations of communicating with their staff, for example the meetings for Management by Commitments or changing posts.

Similarly, from the Manager Channel the tools needed to manage the department and the professional development of the team can be accessed, as well as additional information on accessing collective agreements, systems of professional classification and human resource policies.

Plan for New Professionals

In 2006 the programme for New Professionals was revised and communicated throughout the company. The principal changes to the Plan are its length, which was shortened to two years, reorganisation of the training plan, which is mandatory, the remuneration system and evaluation and monitoring, due to their inclusion in the Management by Commitments system as a specific group.

Programmes focussed on key behavioural models

Corporate training

Integral Management Programme

In 2006 this postgraduate course was continued, being imparted via the IAE for Repsol YPF, which was aimed at team managers. Its objective is to contribute to developing the skills and abilities which are considered key for the organisation and to encourage the behavioural models of the new management model of the company. This Programme is delivered in Buenos Aires and Madrid and during 2006 more than 1,300 people participated.

Energy Technologies Programme for Non-Specialists (TENE)

Aimed at managers of the company who need knowledge in different areas, these programmes are coordinated by the *Instituto Superior de la Energía* and experts from each line of the business participate in them. During 2006 the corresponding module for the LPG business was planned and the one for Marketing and Commercialisation was launched and together with those of Refining, Supply & Trading, Petrochemicals, Exploration & Production and Liquid Natural Gas, have been held in a total of 17 sessions in Madrid and Buenos Aires, with 432 participants with a total of 10,130 training hours.

Training Programme for New Professionals

In 2006, as a result of the implementation of the behavioural models defined by top management, the Training Programme for New Professionals was revised, aligning it with the five key behavioural models. The objective is to support and encourage these new employees to learn and develop the behavioural models which Repsol YPF wishes. A total of 982 people participated in the Programme in 2006.

In order to accompany the implementation of the new Repsol YPF culture based on behavioural models identified by top management, programmes focussing on each one of the five behavioural models that the Executive Committee identified as priority in 2005 were planned and implemented throughout 2006: Assuming Responsibility and Results Orientation, Entrepreneurial Spirit and Excellence, Personal Development and Merit-based Recognition.

The initial objective of these training programmes, given the priority nature for all persons involved in the Management by Commitments system, is that the participants understand, learn and absorb these behavioural models.

The five programmes launched, one for each behavioural model, were planned using various training methodologies in order to offer participants a novel form of training, of great impact and with better support to promote and encourage the transfer to the workplace of the desired behavioural models when the participants return to their normal duties. The programmes last for two months as a minimum, with two classroom-based training modules (two days per module) and online training; hence this should achieve greater collaboration and active and continuous participation. The four days of classroom-based training include theory, models of conduct, practical experiences, outdoor/indoor activities, and the definition and implementation of a personal improvement plan. Online training accompanies classroom training in three stages: before the first classroom training, between the modules and afterwards; activities for personal self-diagnosis, self-knowledge, reflection and practice tasks and the development of the personal improvement plan are performed. This training process, carried out in this way, combines different methodologies and over a period of time, allowing greater and better individual and personal reflection on the behavioural models and helps changes or improvement in individual behaviours, towards the behaviour defined by Repsol YPF for each one of them.

Since these are centrally planned programmes to be implemented locally, an online channel has been created which is accessible via the intranet and internet where participants and trainers can communicate among themselves, before, during and after each module, generating almost immediate feedback to help the participants learn and also to help continuous improvement of the programmes.

During 2006 more than 35 sessions were held in 6 countries: Spain, Argentina, Brazil, Bolivia, Peru and Portugal, with more than 1,300 participants.

Training activity indexes by geographic area in 2006

	Participants	Personnel	Hours	Extension Index (%) ¹	Dedication Index (%) ²
Spain	43,227	10,564	644,873	56.40	2.01
Argentina, Brazil and Bolivia (ABB)	34,924	8,272	332,482	81.67	1.80
Rest of Latin America	6,643	1,782	101,539	79.34	2.23
Rest of the world	3,303	1,045	46,831	89.55	2.30
Total worldwide	88,097	21,663	1,125,724	67.13	1.91

Data corresponding to Spain, Argentina, Brazil, Bolivia, Peru, Venezuela, Chile, Ecuador, Colombia, Trinidad and Tobago, Mexico, USA, Canada, Portugal, Lybia and Algeria.

(1) Percentage of people who participated in training activities depending on the maximum workforce in each unit.

(2) Percentage of hours dedicated to training in relation to the number of hours worked.

General training (management, languages)

In Argentina, within the management courses on offer, training in generic transversal skills for all employees of the company comprised 20,322 hours, with 1,130 participants and a degree of satisfaction of 80%.

In view of its scope, training for the Corporate Programme of Languages should be mentioned, with a total of 51,155 training hours, 909 participants and a degree of satisfaction of 71%.

Similar mention should be made of the Sustainability Programme, with 1,704 training hours, 48 participants and a degree of satisfaction of 74%, with the objective of contributing to implement cultural change and implies thinking in projects with sustainable results over time.

Special mention should also be made of the Awareness Workshops of Disability with 1,070 hours, 198 participants and a degree of satisfaction of 76%.

One of the courses which also had very good results in Bolivia was Intercultural Communication-Crossing Cultures, in which Bolivia as a country with its culture and singularity was presented. The objective of these courses is to provide information and

present the culture of the country for a better and more rapid adaptation of people who join Repsol YPF Bolivia from other countries. 2 sessions with a total of 26 people were held.

In Spain, mention should be made of training on Orientation for Management, with 4 sessions and 55 participants from the Economic-Administrative Management Area, with a total of 880 hours and average evaluation of 3.7 over 5.

Within the specific training mention should be made of the course "Specialisation in Purchasing and Contracting", aimed at professionals in purchasing in order to give them a competitive advantage. The pilot programme was carried out between October and November with 20 participants and a total of 1,280 hours and an evaluation of 3.5 over 5.

Exploration and production area

In Spain the training given to technical staff in E&P should be mentioned to familiarise themselves with the various IT applications of Schlumberger used in the company. In total there were 141 participants with a total of 2,692 hours training. Furthermore, in 2006 training activities continued, amongst others, such as the course for geologists

N° of participants by professional category and main countries

Category	Spain	Argentina	Brazil	Peru	Venezuela	Chile
Directors	711	70	10	30	0	1
Subgroup I	3,821	1,929	171	220	18	5
Subgroup II/Senior tech. staff	14,221	10,088	598	2,212	197	52
Middle tech./Subgroup III Spec. Tech.	3,524	2,938	287	509	5	125
Middle management/Subgroup III Supervisors	3,767	1,614	1	185	0	131
Admin./Subgroup II Admin.	1,683	734	7	110	11	0
Operators /Subgroup II Ops./ Subgroup III Assistants	15,500	14,767	539	17	0	0

Category	Ecuador	Bolivia	USA	Mexico	T&T	Portugal	Algeria
Directors	4	0	3	3	1	7	7
Subgroup I	207	74	134	6	23	190	125
Subgroup II/Senior tech. staff	1,747	859	96	133	137	603	396
Middle tech./Subgroup III Spec. Tech.	397	14	0	21	7	328	1
Middle management/Subgroup III Supervisors	27	174	0	0	7	98	0
Admin./Subgroup II Admin.	9	43	4	0	12	200	13
Operators/Subgroup II Ops./ Subgroup III Assistants	1	7	0	2	53	792	1

Exploration Economics, Risk Analysis and Prospect Evaluation, which enjoyed a good acceptance and, as in previous years, had a large numbers of participants (50) and training hours (2,000 hours).

Mention should also be made of the course for Specialists in Regassification Plants, which is being carried out in the plants of ENAGAS in Cartagena, Barcelona and Huelva. The number of participants in 2006 was 5, with a total of 1,050 hours. This training will continue in 2007.

In Argentina the course of Electro-submersible Pumps should be mentioned, by reason of the number of hours of training and the number of participants, and the course of Geological Application of profiles at Comodoro Rivadavia, with 600 hours and 15 participants and 400 hours and 20 participants, respectively.

In Venezuela, given the great challenges facing the company in developing the off shore operations, special interest has been noted in 2006-2007 for on-the-job-training for personnel in perforation, with the development of a Training Programme in Trinidad and Tobago and the USA. In total 264 hours of training were offered to professions from Management (SGII), who assumes leadership duties in these operations.

Training expenditure in 2006

Euros

Spain	6,141,838
Argentina, Brazil and Bolivia (ABB)	3,899,303
Rest of Latin America	1,714,239
Rest of the world	1,060,103
Total worldwide	12,815,483

Data corresponding to Spain, Argentina, Brazil, Bolivia, Peru, Venezuela, Chile, Ecuador, Colombia, Trinidad and Tobago, Mexico, USA, Canada, Portugal, Lybia y Algeria.

*With knowledge
management,
Repsol YPF gives
support
to traineeship,
exchange,
creation and
knowledge
circulation
processes*

In Mexico the course on Modelling Deposits using the Petrel tool for the Development area; the Practical Workshop Design of Fractures for the Perforation area; the Perforation Predict Software Course and maintenance courses "Predictive Maintenance", among others, should be mentioned.

Refining and marketing area

Mention should be made in Peru. The course on Strategic Marketing Management, with 990 hours and 22 participants; Installations and New Applications in LPG, with 840 hours and 35 participants; or Management and Development of Salesforce, with 787.5 hours and 18 participants.

In Brazil, the Course on Customer Service for the sales personnel in Service Stations was redesigned and some company stations and others run by third parties received it. Courses on lubricants and lubrication for the operations personnel of stations were also given, Keepmarketing for Internal Commercial Advisers, Media training, Category Management, GNV Workshop, among others, with a total of 217 participants.

In Spain mention should be made in the field of Refining of the training activities carried out within the improvement plan for internal communication with the objective of improving dialogue upwards and downwards at all levels and reinforcing the role and responsibility of managers in the communication processes with the co-workers, in line with the models EFQM and GxC. Aimed at persons in the Subgroup I, 219 persons participated in 5,424 hours training, with a degree of satisfaction of 3.6 over 5.

In Service Stations, various training sessions were given on hygiene and food handling for sales personnel, the objective of which is training in foodstuffs hygiene, implementation of preventative maintenance plans and monitoring of suppliers. During 2006 this training was given in the Delegación Regional 20 (Catalonia) with 711 participants and 8,532 training hours. Evaluation was over 3.66 over 5.

Aimed at representatives, technical personnel in planning, design and normalisation of Development of Service Stations unit, courses on urbanism were held with the objective of presenting the basic notions of urbanism and to achieve optimisation of real estate management. The number of participants was 50 with 1,150 training hours. Evaluation was 4.31 over 5.

Knowledge management

With knowledge management, Repsol YPF intends to provide support to processes of learning, exchange, creation and dissemination of knowledge necessary to implement the growth policies of the company.

The Policy of Knowledge Management of Repsol YPF sets the general action framework for businesses and corporation, providing them with the learning processes needed for innovation and continuous improvement.

The tools and processes for knowledge management of the company are based on the utilisation of the Intranet and in processes of collaboration within the practice Communities and interest Groups, such as the formal networks of knowledge or learning via periodic meetings and support; the interactive integrated platforms in work procedures; or collaboration and shared information as a formal criterion of feedback.

In line with continuous improvement and innovation in this field, Repsol YPF has started a project to create an Integrated Network of Knowledge intended to make reality the vision of knowledge management inserted into daily work of people: "We are trying to achieve that knowledge management functions as a non-differentiated and intrinsic part of daily activity of the employees at Repsol YPF, in their work processes and evaluation systems, thus contributing to the creation of a framework of continuous improvement and innovation at Repsol YPF as an environment which encourages participation, involvement and development of persons who work in the company."

As a first initiative towards integration, in October 2006 the first symposium of Knowledge Management of Repsol YPF was held with the aim of promoting the exchange of experiences among all units and the opening of new ways of improvement. The sessions of the Symposium offered the opportunity to emphasise values and behaviour such as team work, collaboration, transparency, continuous improvement and above all development of persons. Also, the strategic vision for knowledge management was disseminated, underlining the importance of leadership in cultural change.

The programmes of knowledge management at Repsol YPF have been recognised with the award of the prestigious prize MAKE (Most Admired Knowledge Enterprises) considering Repsol YPF to be among the ten best companies in Europe for Knowledge Management in 2006. The prize MAKE, founded in 1999 by Teleos and The Know Network, evaluates the ability that organisations have to create value for their shareholders and to increase corporate capital by transforming existing knowledge into products, services and improved or innovative solutions.

Use of knowledge management tools

	2004	2005	2006	Increase
Communities of practice	33	40	43	3
Interest groups	146	215	278	63
Users	8,400	12,300	14,741	2,441
Repsolnet users	20,000	23,500	26,500	3,000

This study, founded on the Delphi methodology, is based on the opinions of a panel of experts composed of European managers and executives from the 500 world companies with the largest turnover (Fortune Global 500) and experts in Knowledge management and Intellectual Capital. The finalists are rated by the experts, on the basis of eight criteria which constitute the brand MAKE and constitute the visible aspects of creation of value. These are:

- Creation of a corporate culture of knowledge.
- Management support in managing knowledge to develop employees with knowledge.
- The ability to find solutions, products and services based on knowledge.
- Maximisation of the value of corporate intellectual capital.
- Creation of an atmosphere which enables knowledge to be shared.
- Creation of a culture of learning.
- Delivery of value added solutions to customers.
- Transformation of corporate knowledge for shareholders.

*Repsol YPF's
knowledge
management
programmes have
been renowned
with the well
known MAKE
prize*

Environmental management and efficient use of resources

Repsol YPF focuses its activities on minimising impacts on the environment, with the commitment of its Senior Management to comply with the principles established and issued in the Repsol YPF Health, Safety and Environment Policy, that was reviewed and updated in 2006 (see “Our commitment to safety”).

In compliance with the Repsol YPF strategy lines, environmental protection and conservation will continue to be core elements of the strategic horizon in all areas of the company’s economic activities. Priority will continue to be given to minimising emissions to the atmosphere, reducing waste contamination, and correct waste and biodiversity management. Moreover, Repsol YPF will continue to work to improve prevention systems for spills and continue efforts for the identification, evaluation and correction of possible contamination situations that occurred in the past.

Repsol YPF environmental management

Documentation and standards

The foundation of environmental and safety management at Repsol YPF is the Repsol YPF management system, the main components of which, in addition to the Policy, are contained in the Environment and Safety Manual, which establishes functions and responsibilities along with system containing criteria and management tools for the company as a whole and an extensive body of standards, procedures and technical guides.

Since 2001 environmental performance information is reported on a computer application which allows this work to be carried out in around 85 operational centres and 58 environmental parameters, through a flow of information involving the different company organisation levels.

In order to ensure consistent criteria in relation to environmental management, the company has an exhaustive document which establishes reporting criteria on the main environmental parameters, the Environmental Parameters Guide, which establishes the reporting and calculation criteria for the different environmental parameters.

Similarly, in 2006 a global scope procedure was compiled and approved in the first months of 2007. This procedure governs the upload, validation and consolidation of environmental data which, together with the Guide and Application of Environmental Parameters, is the basis for information on environmental performance throughout the company.



External opinion

"In general, the petroleum industry represents a risk. It manages non-renewable resources and in the different stages of its production, extreme care has to be taken to minimize environmental and social impacts that this may cause.

Correct management of environmental risk is of vital importance, and for this, a technology has been developed in industrial processes, with products and managerial systems that are designed to reduce the risks generated from this activity. Improvements of contingency plans for hydrocarbon spilling, progresses achieved in fuel quality contribute to improving environmental conditions in cities, energy efficiency and reducing emissions and greenhouse effects all contribute to the industry's answer for challenging the climatic change. The implementations of health and safety programs to promote people care inside an outside of the company also constitute actions to reduce risks in their activities.

The permanent training of personnel in companies from the sector, and relations with communities in which the industry operates should be given special care and attention. Management in communities for sustainable development, especially in emergent countries, and evaluating the impact of activities from a social and environmental point of view is priority for establishing a constructive dialogue with the community in question. The assessment of community needs with local government participation permits the development of programmes that, in time will be sustainable.

Dialogue with the Industry's stakeholders and management transparency are fundamental elements for building trust and understanding with society.

All these elements create a sense of responsibility for companies from this sector, and a continuous improvement in the management of minimizing the environmental impacts that arise from the inherent nature of their operations."

José Félix García

Executive Secretary of ARPEL

Internal opinion

"Our sector has a high environmental impact and, as a result, it is specially exposed to the public opinion, always alert to the fulfilment of companies like ours. This level of attention causes some risks that, if they become real, can affect substantially to the reputation and, therefore, the value of a company like Repsol YPF.

But still being absolutely true the previously mentioned, it is not what motivates us. Natural environment and biodiversity protection is our intrinsic responsibility. It is not part of a reactive attitude to the perception risk of our image. We do our best to manage the best possible way the environmental impact of our activities for the simple fact that it represents an essential obligation. This doesn't mean, of course, that we are perfect, but we should be.

Since years ago, in Repsol YPF we have invested considerable resources in programmes and activities appointed to reduce and manage the environmental risks of our activity, promoting, among others, new energies development and more efficient fuels, effectiveness of natural resources use and improvement of the environmental impacts management of our extractive activity. Moreover, for Repsol YPF it is crucial to consider environmental impacts like integrated aspects in new installations and projects planning.

We also consider a priority the participation and collaboration of specialized sectorial organizations so our activity is aligned with the best practices in the sector. In any case, we are realistic and we know our activity will always have environmental impacts associated. But our responsibility consists in making sure those impacts not only don't turn into a costly mortgage for future generations but their repayment forms basic part of our planning and, what is more important, count from the beginning with economic, technical and human resources that will make it possible".

Nemesio Fernández Cuesta

Executive Director of Upstream



From an external point of view, Repsol YPF demands compliance with environmental and safety regulations within their installations in all countries in which they operate. Repsol YPF also uses the same environmental and safety criteria in its operations in compliance with internal standards.

363 cross internal audits
on environment and
safety in 2006

179 external audits
on environment
and safety in 2006

This Repsol YPF's safety and environmental management system is of mandatory compliance in all countries in which the company operates.

Planning

Repsol YPF's safety and environmental management system includes a methodology for the identification of relevant issues in order to compile strategic budgets and plans on a yearly basis which, with a one year and five year scope respectively, form part of the company's general strategic planning. These items include, among other things, the actions needed to respond to new legislative initiatives, Repsol YPF's strategic focuses, corrective action plans resulting from environmental audits and investments, whilst also providing a response to the necessary expenditure, contemplated in the company's general budgets.

As a complement to the strategic planning and to ensure a correct environmental performance, since 2006 the company sets environmental objectives which cover the most significant impacts for Repsol YPF. These objectives are deployed among the different Business Units and are adapted to the particular specific requirements of each one.

Each quarter, monitoring and control takes place on 58 environmental parameters of the Repsol YPF's centres and business units.

In addition, reports are made on a quarterly basis to the Audit and Control Commission and to Senior Management when required, on the main environmental indicators.

Audits

The Environmental and Safety Audit Plan, contemplates the performance of internal and external audits. During 2006, in addition to the internal local audits carried out (by the personnel at each centre), 363 cross internal audits (performed by qualified personnel from centres other than the audited centre) and 179 external audits took place. 107 of these audits were in relation to certification processes.

Main ISO 14001 certificates by activity

	Centres	%
Refining	9 of 9	100
Chemicals	9 of 9	100
Exploration and production	17 of 21	81
Technological Centres	2 of 2	100

Certifications

During 2006, the company has increased the number of centres that are certified under Standard ISO 14001, in addition to having renewed the certification under the new 2004 version of said standard in the centres for which it was required.

In relation to new certifications, worthy of note are those achieved in the Sines Investigation Centre for Chemicals in Europe (Portugal), the Barrancas oil field (Venezuela), REMSA (Repsol Exploración Murzak S A) in Libya (achieved in February 2007), the LPG factories in Montornés del Vallés, Santurce and Tarragona in Spain, the Belgrano LPG factory in Argentina, the various services stations in Spain and the marine supply facilities installations in Chipiona and Aguilas, also in Spain.

With the new certifications obtained, Repsol YPF now has certifications in 17 exploration and production operations, geophysical operations in Argentina, nine refineries, nine petrochemical plants, 17 LPG factories, 19 logistics terminals, 152 service stations in Spain, Brazil and Argentina, 26 marine supply facilities, 15 lubricant and specialty plants and two underground natural gas storage installations.

The certificates obtained by Repsol YPF are available at www.repsolypf.com

Training

Repsol YPF considers training and raising awareness in environmental issues to be key elements for complying with the principle of responsibility for all company employees.

Listed below is detailed information on the number of employees, training hours and coverage ratio for Repsol YPF's employees who have received training on environmental issues during 2006.

1,400 employees who received environment training in 2006

15,608 total hours dedicated to environment in 2006

Environmental training in 2006

	People	Hours	Extension index
Spain	547	5,072	2.92
Argentina, Brazil and Bolivia (ABB)	529	6,691	5.22
Rest of Latin America	264	3,755	11.75
Rest of the world	60	90	6.58
Total	1,400	15,608	4.37

Extension index: percentage of people who have taken training activities in proportion to the average personnel head count.

These data belong to Spain, Argentina, Brazil, Bolivia, Peru, Venezuela, Chile, Ecuador, Colombia, Trinidad and Tobago, Mexico, USA., Canada and Portugal.

The data in the table includes company personnel with permanent and temporary contracts. This is data registered in the systems designed for this purpose in the company and does not include training carried out internally or training carried out within contractor companies.

*Main emissions
to air have
lessened in 2006,
following the
previous years
tendency*

Evolution of the main contaminating air emissions						(tonnes)
	2002	2003	2004	2005	2006	
SO ₂	116,696	108,957	109,222	102,292	101,571	
NO _x	93,273	96,189	92,457	85,052	87,799	
NM VOC	54,975	56,143	58,090	44,937	39,045	
CO	28,212	25,250	22,625	24,170	25,259	
Particles	10,196	9,105	9,288	10,068	10,767	
Total	303,352	295,644	291,682	266,520	264,441	

Repsol YPF also promotes the use of forums where employees present and share their experience and good practices. Just as in previous years, workshops and days courses for exchanging experiences and good practices were held in 2006. Two general meetings were held on safety and environmental issues in Mendoza (Argentina) and Madrid (Spain) in the months of May and November, respectively. The objective was to promote the exchange of experiences on safety and environmental matters between the different units, providing solutions to common problems.

Employees from all company business areas attended these meetings, thus expanding the experience and knowledge of the different areas to other participants.

We are working to minimise the environmental impact of our activities

In order to develop and realise the principles for minimising the environmental impacts governed by company policies, Repsol YPF assigns important resources in order to reduce the main impacts of their activities on the environment.

The effects for each vector are set and the main areas of the company where they occur are indicated, the principle measures adopted by Repsol YPF in order to minimise them are notified and the evolution and trends of the respective indicators over the last five years is reported.

Air quality

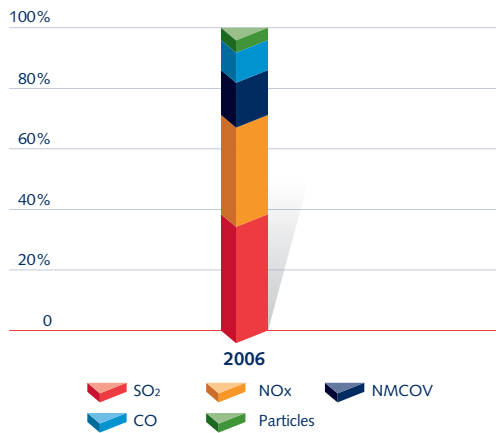
Repsol YPF has developed programmes for monitoring the control and reduction of air emissions related to company operations. The main air emissions, in addition to greenhouse gases (GHG) are SO₂, NO_x, CO, particles and non methane volatile organic compounds (NMVOC).

Air emissions have decreased in 2006, continuing with the trend of previous years. This reduction has occurred despite having widened the environmental data consolidation perimeter to incorporate the environmental parameters resulting from the newly included company activities.

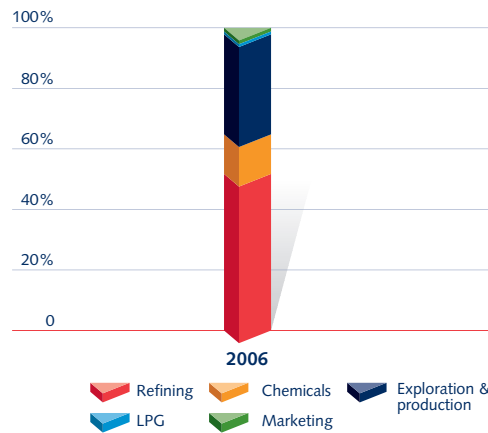
Sulphur dioxide emissions

SO₂ emissions mainly occur as a result of the sulphur content in fuels used to supply energy in industrial processes. Their presence in the atmosphere usually causes the phenomenon known as acid rain.

Main pollutant emissions to air



Main pollutant emissions to air by activity



At Repsol YPF, SO₂ mainly comes from the refining activity and mostly from the sulphur content in the fuels used to provide energy.

In 2006 the downward trend of sulphur dioxide emissions continued, particularly in the five refineries of the company in Spain.

In this regard, the company has been developing an investment plan to improve fuel quality for various years.

It is important to note the start up of installations for the recovery of torch gases which have taken place in the different

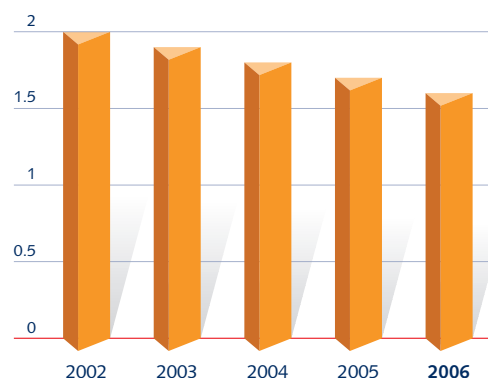
group refineries. The gas burnt by these torches cannot be used and creates an increase in fuel consumption with the consequent gas emissions.

In the Puertollano refinery for example, various ring compressors have been installed to reduce the flow of gases emitted without any energy advantage, which has meant a significant reduction of SO₂ and other emissions.

Main SO₂ emissions by activity (tonnes)

Activity	2006
Refining	88,655
Exploration and production	4,004
Chemicals	8,863
Marketing	49
Total	101,571

Evolution of SO₂ emissions in the refining business (tonnes of SO₂/kilotonnes of crude oil)



Main NOx emissions by activity
(tonnes)

Activity	2006
Refining	25,307
Exploration and production	55,099
Chemicals	7,304
Others	89
Total	87,799

Nitrogen oxide emissions

NOx emissions are caused during the combustion process due to the nitrogen present in the atmosphere. This contaminant causes acid rain and is a tropospheric ozone precursor.

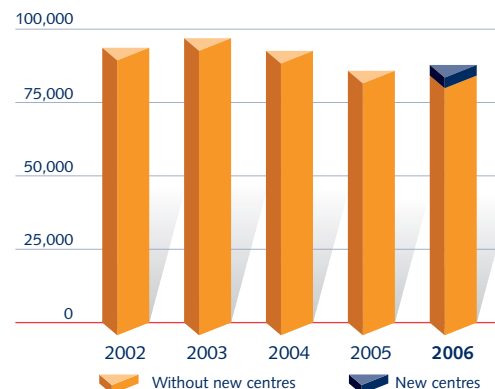
At Repsol YPF, NOx emissions are mainly the result of exploration and production and refining activities due to fuel consumption.

Total NOx emissions have increased in absolute values by 3% in 2006 due to the expansion of the environmental data consolidation perimeter which incorporates new company activities. Discounting the portion relating to the new centres, emissions results are 1% lower, continuing the downward trend of the majority of emissions in the company.

Main NMVOC emissions by activity
(tonnes)

Activity	2006
Refining	8,599
Exploration and production	15,201
Chemicals	9,608
LPG	2,465
Marketing	3,171
Others	1
Total	39.045

Evolution of NOx emissions
(tonnes of NOx)



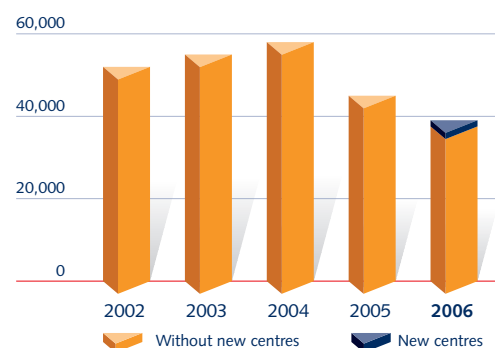
Non methane volatile organic compound emissions

Non methane volatile organic compounds (NMVOC) are mainly produced in refining, exploration and production activities as a result of oil and gas extraction operations, or in storage and at service stations during the gasoline handling process, and, they are generally the result of fugitive emissions. They are emissions released due to leaks on various components (valves, flares,...).

The fugitive emissions included are those calculated by direct measurement or mass balance.

In order to reduce NMVOC emissions as a result of fugitive emissions, the company is developing, among other initiative, programmes for detecting and eliminating

Evolution of NMVOC emissions
(tonnes of NMVOC)



Main CO emissions by activity
(tonnes)

Activity	2006
Refining	5,877
Exploration and production	12,256
Chemicals	7,099
Others	27
Total	25,259

leaks in the various and increasing number of components in refineries and chemical plants.

During 2006, a reduction of 13% on NMVOC emissions was achieved.

Carbon monoxide and particle emissions

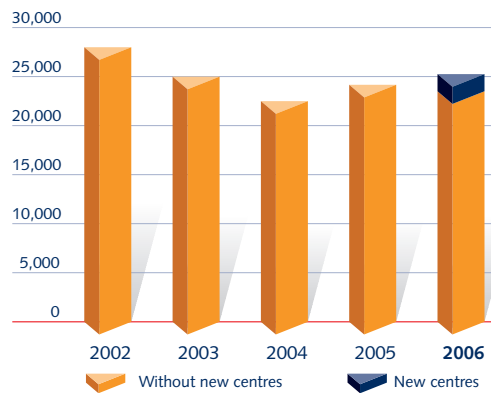
Particle and carbon monoxide (CO) emissions are mainly caused in combustion processes due to the incomplete combustion of unburnt elements.

In Repsol YPF, CO and particle emissions are mainly produced in E&P and refining activities as a result of the combustion processes.

Evolution of the main particle emissions by activity (tonnes)

Activity	2006
Refining	9,046
Exploration and production	595
Chemicals	1,117
Others	9
Total	10,767

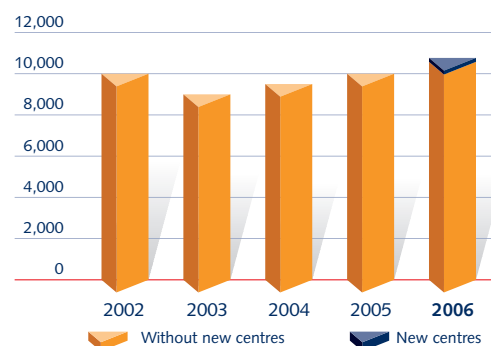
Evolution of CO emissions
(tonnes of CO)



Total CO emissions have increased in absolute value in 2006 due to the inclusion of the emissions from centres which begin reporting this year. Discounting the portion relating to the new centres, the CO emissions have reduced by 3%.

Particle emissions have seen a 5% increase, discounting the portion relating to new centres, this is mainly due to an increased activity in the conversion zones of refineries.

Evolution of particles emissions
(tonnes of particles)



In 2006 the positive evolution of reused water continued, reaching 15%, 1.25 million tonnes more than in 2005



Water management

Water consumption

Water consumption occurs mainly in refining and chemical activities, caused by evaporation losses in refrigeration circuits, steam production system purges and product purification processes.

In exploration and production, this consumption is produced by the requirement to inject water into the deposits and improve well production.

Repsol YPF is committed to comprehensive water management and as such this is reflected within corporate standards where the principles for the correct management of this resource are established:

- Optimise water consumption and encourage reutilisation of purified water.
- Control, characterise and segregate currents to reduce discharges, pollutants and to foster water treatment.
- Avoid contamination of receiving water bodies by emergency discharges.

Throughout 2006, the company has captured 124,468 kilotonnes of water, largely from surface resources (54%) and to a lesser extent from the public network (36%) and underground resources (10%).

The positive evolution continued in regard to the reutilisation of water, reaching a total of 15%.

Water management evolution

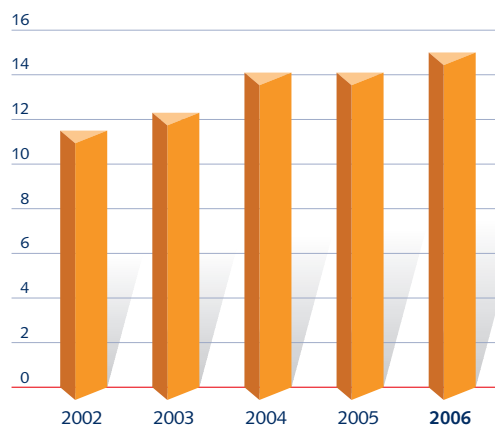
(kilotonnes)

	2002	2003	2004	2005	2006
External captured water	135,342	131,549	129,170	124,829	124,320
Discharges	54,842	55,063	54,136	51,173	52,110
Reutilised	18,240	18,808	20,433	20,818	22,073
Produced	134,905	137,371	157,652	163,314	183,159
Injected	166,276	160,199	179,461	178,973	192,775
Other sources	1,468	1,323	1,840	554	148
Total captured (external + other sources)	136,810	132,872	131,010	125,383	124,468

Origin of total water captured by activity
(kilotonnes)

Activity	2006
Refining	72,080
Exploration and production	22,670
Chemical	25,850
LPG	446
Marketing	3,215
Logistics	169
Technology	38
Total	124,468

Evolution of the reutilised water percentage

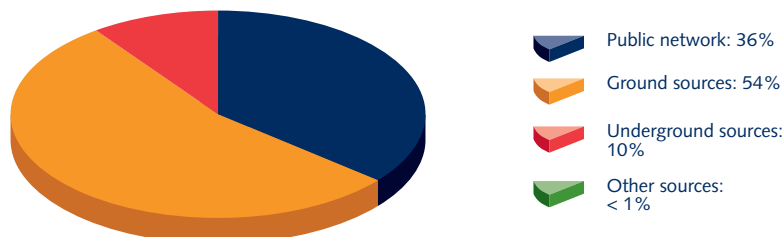


Quality of the effluents

During 2006 the reduction of the most significant contaminants in discharges has continued.

It is important to note the reduction of around 5% in the Hydrocarbon discharges, 22% reduction on BOD and 35% reduction on COD. On the other hand, there has been an increase of the solids in suspension value, caused by technical problems that occurred in the Residual Water Treatment Plants (RWTP) at the industrial complex in Tarragona at the end of 2005 which caused an increase in these values for the first months of 2006.

Source of total captured water in 2006



Evolution of pollution in liquid discharge

(tonnes)

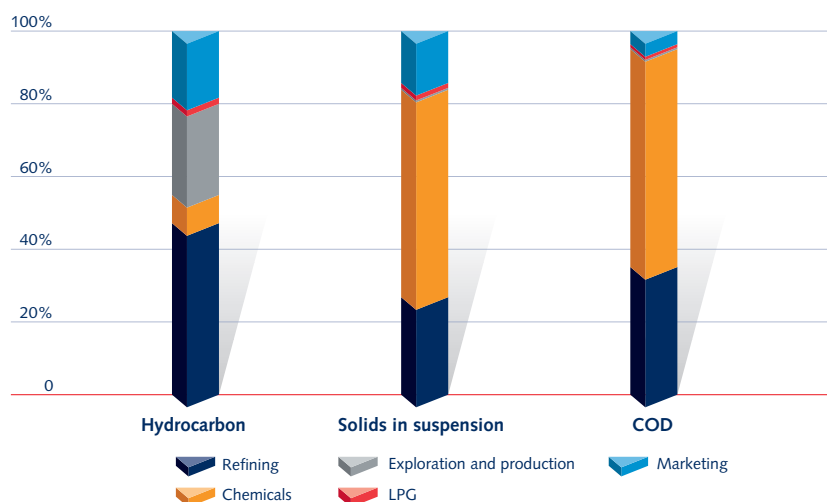
	2002	2003	2004	2005	2006
Hydrocarbons	169	171	169	149	142
Solids in suspension	1,467	2,068	1,543	1,478	1,866
Amomonia	572	398	280	324	233
Nitrates	68	74	81	47	83
Phosfates	39	37	24	20	55
Phenols	36	78	33	37	48
Sulphur	80	108	78	15	4
COD	9,281	9,000	7,733	7,847	6,133
BOD	2,510	2,519	1,855	1,571	1,014

Main discharged into water by activity in 2006

(tonnes)

	Refining	Chemicals	E&P	LPG	Marketing	Total
Hydrocarbons	67	11	35	3	26	142
Solids in suspension	500	1,065	10	25	266	1,866
COD	2,133	3,696	31	53	220	6,133

Main pollutants discharged by activity in 2006



In 2006 among the initiatives carried out by the company were the following improvements at installations:

- Approval of the modification of the plant for oxidation of soda char at the Tarragona refinery (Spain), therefore guaranteeing discharge quality.
- Start up of the Residual Water Purification Station (EDAR from its Spanish) with biological treatment at the Luján de Cuyo refinery (Argentina), which has given highly satisfactory results.
- Operational improvements that have taken place in different chemicals europe centres and at the refinery at La Plata (Argentina).

Bitumen powder from tyres. Asfaltos España

Waste Management

Improving waste management in the company is a priority for Repsol YPF. It's inclusion in the company's strategic lines is a proof of this.

The main waste created by Repsol YPF operations are tank bottom cleaning slurries, drilling slurry, waste due to earth removal for expansion works or installation renovations and earth contaminated with hydrocarbons largely due to spills treatments.

Considering the diversity of the company's activities, of the specific legislation applicable and of the existing geographic locations, Repsol YPF is strongly committed to a correct waste management programme, applying consistent standards in all places in which it operates.

In order to ensure correct management of waste throughout the entire company there is a corporate standard for waste management which applies to all of the countries where Repsol YPF operates.

During 2006, various activities for improving waste management in the company have taken place. In this way, it's important the development of an own technology to the use of bitumen powder from tyres in the asphalts.

In 2005, a change in criteria was implemented, which affected both hazardous and non-hazardous waste, this change now requires data by waste managed in stead of the criteria by waste produced that was used up until that point.

For this reason, the waste generation trend seen on the corresponding graph (see page 130), is not comparable for 2005 and 2006 with the data for previous years. The change in criteria seeks to ensure consistent reporting of waste data in the entire company.



Our company, in its continued innovative drive and its growing concern for the preservation of the environment, has developed its own new technology for manufacturing powdered bitumen from tyres. This product, in addition to providing technical advantages, provides a double environmental benefit: on one hand it resolves the important problem created by the accumulation of used tyres at waste sites, and on the other it minimises acoustic affects as it reduces noise levels caused by vehicles and suffered by citizens.

The bitumen powder from tyres is manufactured by a specific industrial process which provides a stable and storable product. Repsol YPF has the technology required to then incorporate the tyre powder into bitumen and obtain a product which is beneficial to the environment and which improves the characteristics of conventional bitumen.

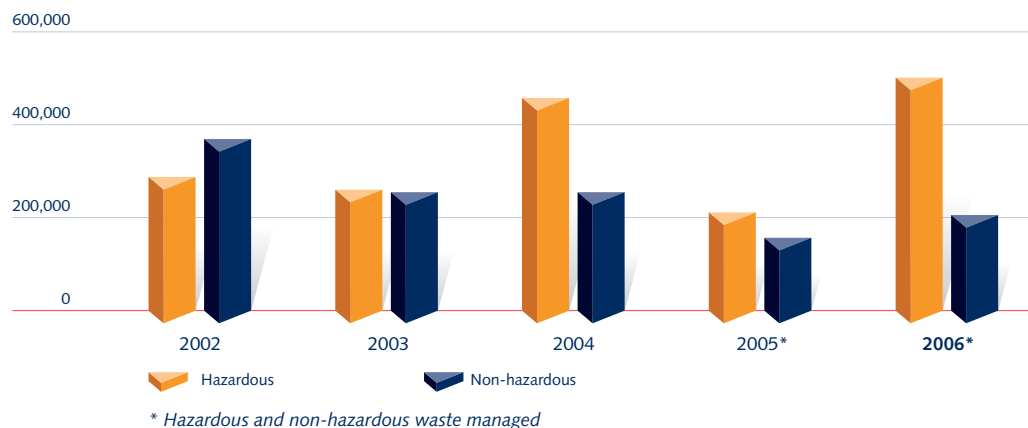
The properties within the bitumen mix are then optimised to improve cohesion, adhesion to dry goods and to increase the service temperature intervals, thus giving better resistance to continuous vehicle traffic, avoiding premature deterioration and contributing to important long-term economic savings.

Some of the uses for the asphalt mixes manufactured with bitumen powder from tyres are anti-fissure treatments, layers which need to resist permanent deformities, traffic noise reducing layers and layers with an anti-skid resistance in wet conditions, representing a clear commitment to road safety.

Repsol YPF, conscious of the environmental problem that the disposal of used tyres creates, continues to develop this type of product in order to adapt to future requirements.

For more information go to <http://www.repsolyypf.com>

Evolution of hazardous waste (including oily soil) and non hazardous waste (tonnes)



Waste management by activity in 2006

(tonnes)

	NHW	HW	Total
Refining	113,552	87,869	201,421
Exploration and production	54,841	334,669	389,510
Chemicals	15,684	48,225	63,939
LPG	3,420	248	3,668
Logistics	208	5,960	6,168
Marketing	10,166	19,058	29,224
Technology	167	69	236
Total	198,038	496,128	694,166

NHW: Non-hazardous waste

HW: Hazardous waste (including oily soil)

Furthermore Repsol YPF has continued with the efforts which began in recent years to make the management criteria consistent. In this sense, there has been an increase in the management of soils contaminated by hydrocarbons, for subsequent internal reuse or treatment.

As shown by the trends, in 2006 an effort has been made to manage a larger amount of both hazardous and non-hazardous waste in comparison with 2005. This is mainly due to external waste management companies being engaged to manage the accumulated waste of previous years (mostly in Argentina). This effort is also reflected in an increase in the percentage of total waste delivered to the internal management.

As a result, 69% of total waste (including those in oily soil) was handled internally against 25% of non-hazardous waste.

From a management point of view, 51% of hazardous waste and 24% of the non-hazardous waste have been assigned for reutilisation, valuation, or recycling. Consequently, the management of oily soil by hydrocarbons has increased of which the majority has been destined to internal reutilisation.

Libya: minimising environmental impacts via the use of a mathematical model

REMSA (Repsol YPF Murzuk S A) is the operator of 9 blocks in Libya, 4 of which are in the Murzuk basin.

The Murzuk basin is characterised by a predominance of desert ecosystems, and a low level biodiversity (a low level of species and each of which has a high ecological value). Care must be taken with aquifers in order to completely respect the fauna and flora of these environments.

In a drilling operation, the handling and final disposal of slurry and drill cuttings generated by the process is one of the issues which requires decisions to be made about the practices to be applied. This process involves the consideration of environmental legislation, the specific characteristics of the operation's environment, the operating conditions of the drilling projects, the financial element and the need to ensure that environmental liabilities are not generated.

In order to achieve this and in line with the requirements established by the environmental management system implemented at REMSA, which was recently certified under ISO 14001 (February 2007), an environmental assessment of drilling projects was undertaken.

As a result of the certification, it was concluded that one of the environmental impacts that was considered to be significant was the disposal of drill cuttings and slurry, due to the risks that they represent to the ecosystem and particularly to shallow aquifers in the regions where operations take place; the decision was therefore made to control this by including this matter within the REMSA environmental programme.

Although the water based slurry used by the three drilling rigs that REMSA operates in Libya have less of an impact on the environment than the oil based slurry, some of the chemical elements that may be present are capable of affecting bodies of subterranean waters should they come into contact with them. The effect produced depends on the concentrations and volumes of the elements which make contact with the aquifers, also affecting the composition of the slurry used, the hydro-geological and local geological conditions.

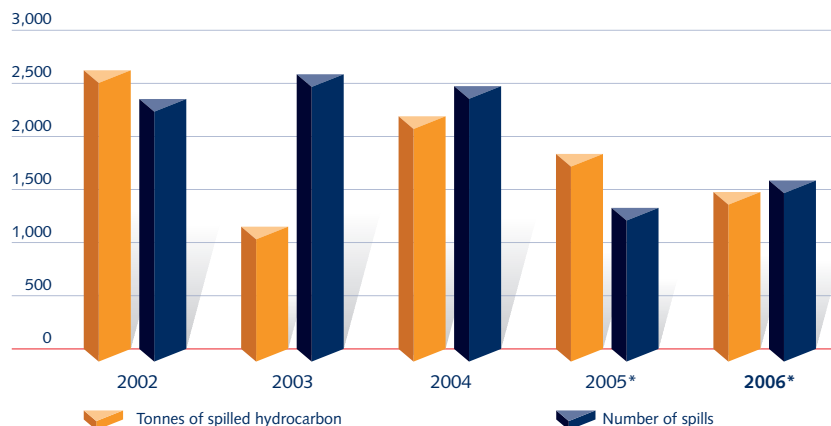
The interaction of these factors may affect the contamination of shallow aquifers which is precisely what we seek to predict a priori with the development and implementation of a mathematical model (Computational Risk Evaluation Model).

The results of the model predict the concentrations of contaminants in aquifers as a result of the contamination leaching process. These resulting values are then compared with the values found in aquifers in their natural state which then allows the risk of contaminating the body of water to be determined.

The application of this methodology has enabled method based decision making, which has proved to be effective and has even created interest among the local authorities (Environmental Agencies and National Oil Company).

REMSA is the first company in Libya to use this type of tool and to certify a management system under standard ISO 14001 in the exploration industry in Libya. This makes Repsol YPF a leader in matters of environmental prevention and control in the oil industry in this country.

Evolution of hydrocarbon spills that affect land



* Refers to spills greater than 1 barrel.

Soil and underground water protection

Repsol YPF believes that prevention of soil and underground water contamination is a priority.

Most oil spills that occur in the gas and petroleum industry are usually concentrated in the exploration and production stages, where the hydrocarbons are extracted and subsequently treated and transported to the industrial refining centres.

Within Repsol YPF's exploration and production activities, it is in Argentina where there is a large number of production areas covering vast operational areas and large distances for product transport. This therefore makes exploration and production the business area where most company oil spills occur.

This fact has led to the existence of a spill objective in the exploration and production business unit in Argentina.

Throughout 2006 there were 1,604 hydrocarbon spills involving some 1,490 tonnes of hydrocarbons which affected soils. Also associated with these spills were some 5,526 tonnes of production water which

accompanied the oil in the exploration and production activities.

The number of spills reported in 2006 relates to spills of more than one barrel which impact on the environment. This reporting criterion, which was included for the first time in 2005, responds to the need to use a criterion which is comparable with those applied by international associations such as the OGP (International Association of Oil & Gas Producers).

The increase in the number of spills occurring during 2006 was compensated by the 19% reduction of the amount spilled, which was mainly due to detection, communication and immediate action taken on spills occurring as a result of our industrial activity.

The most important facts on each of the company's activities are listed below:

- During 2006 no contaminated areas were generated that needed remediation worthy of mention in the exploration and production activities of Argentina.

In this case, in addition to the detection, communication and immediate action plan established by Repsol YPF for spills, legislation demands that all spills are declared and cleaned in a period of 30 days.

In order to respond the requirements of both, the incident site is attended immediately to ensure minimum impact, contingency measure and damage limitation. Once on site, the impact that the spill has had is evaluated and the necessary tasks for remediation of the damage are contracted. All of this information is provided to the pertinent Authority(ies) who authorise the necessary actions.

Both the internal and external requirements have meant that all of the spills that occurred in 2006 have been cleaned and that all spills that have occurred in the last 5 years have been remediated. Therefore, there are no spills relating to the last 5 years which are pending remediation recorded in our systems.

In 2006, the total affected surface area recorded in the exploration and production activity in Argentina was approximately 740,000 m², for spills greater than one barrel. All of which were remediated.

- The other area of activity where spills occur as a result of operational activities, is the refining and logistics area. One of the characteristics of this activity is that although spills are rare, the individual volume of each spill is usually greater than those that occur in the exploration and production activity.

A process identical to that followed for the exploration and production area was followed for the refining and logistics area in Argentina in 2006, therefore practically all cases of immediate remediation are now closed.

Finally, we must note the two spills which occurred in Spain during 2006 at two of its plants which affected a small surface area of some 100m², as the rest of the area was paved. The affected areas were remediated. At the five refining plants in Spain, there are no spills relating to previous years that are pending remediation.

In order to deal with the complexity of the issues relating to soils and underground waters, Repsol YPF has formed a specialist environmental engineering unit which provides support to all company business areas in matters of contamination, prevention and correction. Its mission is to undertake environmental improvement



projects and to provide a specialist consultancy service where needed, whilst also sharing experiences and helping to maintain consistent environmental standards in the different parts of the world.

Listed below are some of the main projects for soil and underground water protection that were carried out in 2006:

- Technological development projects for the environmental recovery of soils, carried out from the Repsol YPF Technological Centre (Spain), dedicated to investigation into the development of alternative and efficient techniques for environmental recovery of soils, with the objective of optimising costs and results in environmental improvement operations.



Repsol YPF adopts strict evaluation and inspection criteria for contracting ships

- At refining and logistics in Argentina, different actions were carried out with the objective of avoiding soil contamination at Tierras Blancas (Argentina) and remediation at Las Catitas and Picada Challacó (Argentina).
- The Ensenada industrial complex in the chemicals areas of Argentina has developed a project which has allowed technical problems in relation to expansion joints and pipe flows to be resolved, thus avoiding possible impacts on soil.

Marine ecosystem protection

For marine transport in general, an essential element demanded by public opinion is that marine contamination is avoided. Most vessels that suffer some kind of accident appear in the headlines as "tankers transporting oil" and this is partly true: all tankers carry fuel for their own consumption. However, it is the oil tankers that really play a leading role in black tides and ecological disasters. Therefore, minimising the risk of accidents, particularly the risk of spills in oil and heavy fuel transport, and preventing fires and explosions in light fuel transport is a priority of any company within the sector.

Repsol YPF does not have its own fleet of tankers and adopts a rigorous evaluation and inspection criteria, internationally referred to as vetting, when contracting third party vessels and even provides this service to other companies.

The fundamental objective of the Repsol YPF vetting unit is to verify compliance with national and international standards on matters of maritime safety and the prevention of marine contamination on all tankers operating with the company, transporting company loads and/or visiting company terminals.

Repsol YPF has procedures to identify and disqualify tankers that do not reach the standards established in the preliminary evaluations and physical inspections.

During the preliminary evaluation, the following documentation provided by the operator is reviewed; the Repsol YPF Vetting questionnaire; the pollution prevention certificates; certificates issued by the approval company; the record of control inspections by port state control (PSC); and the record of accidents that the tanker may have had, along with other documents. This first phase is carried out at corporate headquarters in Madrid.

The second phase, the physical inspection, is carried out during operations at the terminal. The vetting unit has inspectors in terminals at A Coruña, Bilbao, Tarragona and Cartagena (Spain), in Buenos Aires (Argentina) and Lima (Peru). These inspectors visit the tankers that arrive at their terminal and travel to places where vessels operate with Repsol YPF loads or to where a vessel which is of possible Marketing interest is located.

The Company inspectors are Sea Merchant Captains with a vast experience at sea, certified by the OCIMF (Oil Companies International Marine Forum) for participation in the SIRE (Ship Inspection Report Programme) programme in three specialist areas (Oil-Chemical-Gas).

During 2006, 1,598 preliminary inspections of vessels took place, 1,079 of which were acceptable, 418 were not acceptable and 101 resulted in the disqualification of the vessel.

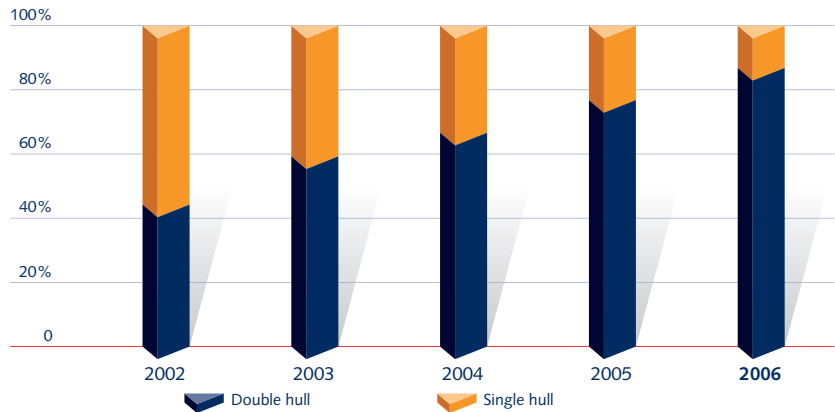
925 physical inspections also took place, with 795 vessels approved and 130 rejected.

It is important to note that said vetting standard is updated each year in order to incorporate any new international standard developments or Repsol YPF criteria.

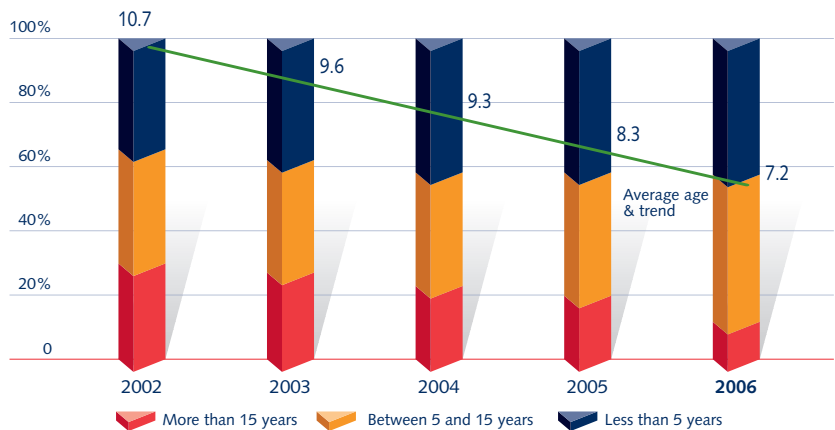
In 2006 the age limit for tankers above 5,000 tonnes without a double hull was reduced to 23 years.

In addition to this, for tankers older than 20 year, shipping companies must carry out the Condition Assessment Programme (CAP) which is a study of the structural condition of the hull. For tankers that are 23 years old a CAP of the machinery and loading systems must be carried out. If the tanker is longer than 150 metres it must also undergo a finite element fatigue analysis.

Evolution of vessel inspected by type of hull



Evolution age of inspected tankers



As a consequence of these standards, and of the criteria adopted in previous years, a rapid reduction of the age is taking place among the inspected vessels, which was 7.2 years in 2006 along with an increase of the percentage of double hulled boats inspected, up to 86.8% in 2006.

Environmental investments and expenses
carried out in 2006 by Repsol YPF rose to more
than 360 million euros



Environmental investments and expenses

Costs of an environmental nature are identified using the Repsol YPF Environmental Costs Guide, an adaptation of the American Petroleum Institute (API) directives to the operational characteristics and technical criteria at Repsol YPF.

Environmental investments

As in previous years, the main investments performed in 2006 were in the refining area in order to upgrade the environmental quality of oil products for compliance with new Spanish and Argentine standards.

One of the projects in this area which is worthy of note is the continuation of the naphtha desulphurisation plant project at the Petronor refinery (Bilbao, Spain) with an environmental investment of 18 million euros in 2006. Another project to be noted is the project for improving fuel quality at the La Plata refinery (Argentina), with an environmental investment of 18.1 million euros in 2006.

In the refinery business area in Spain there have also been significant energy savings and efficiency actions, for a total of 1.5 million euros; and within the water management field we must also note the continuation of the project for the construction of a treatment plant for soda char in the Tarragona refinery, with an investment of 3.5 million euros in 2006.

The most relevant action taken in the chemicals business area was the development of an OHP plant (Oxidation with Hydrogen Peroxide) for treating effluents at the Tarragona complex (Spain), with an investment of 6 million euros in 2006.

Environmental expenses

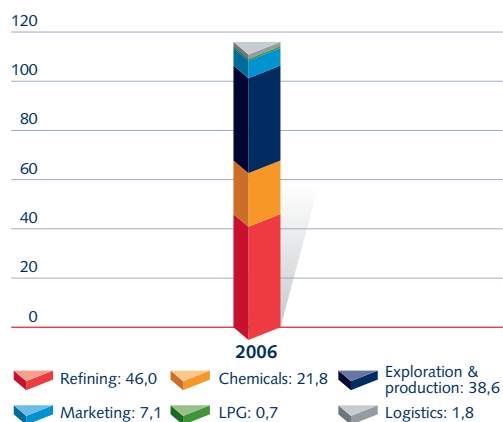
The environmental expenses in this financial year totalled slightly more than 180 million (Note 38 in the Consolidated Statement) included in said amount was almost 81 million euros of costs in relation to the necessary rights to cover the CO₂ emissions made throughout 2006 (because of the 79 million euros in 2005). Also to be noted are the actions carried out on issues such as the protection of the atmosphere, waste management and remediation of soils and underground waters and water management issues for the amounts of 27, 25, 19 and 17 million euros, respectively.

Evolution of environmental investments and expenses

(million euros)

	2002	2003	2004	2005	2006
Environmental investments (without product quality)	74.8	79.2	100.9	126.8	116.0
Investments in environmental quality of products (based on the adaptation to standard specifications)	74.7	160.7	230.0	186.2	64.1
Environmental expenses	39.0	40.0	82.5	153.0	180.2

Environmental investments by activity (million euros)



The data doesn't include the investments in environmental product quality.

2006 Environmental investments and expenses by area (million euros)

	Investments	Expenses
Atmosphere	27.8	27.1
Water	42.0	17.2
Waste and soils	23.3	43.7
Climatic change	0.6	80.8
Product quality	64.1	1.7
Others	22.3	9.7
Total	180.1	180.2

Biodiversity, a treasure that we must take care of

Biodiversity is the variety of life on the earth, covering from genetic levels to species and ecosystems. In this sense, biodiversity is essential for human wellbeing and for economic development and therefore has incalculable value.

“Biodiversity includes the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part, this includes diversity within species, between and of ecosystems”

Convention on Biological Diversity, Rio de Janeiro, 1992



Biodiversity is currently under threat from human activities which do not include adequate measures for protecting the environment in the different phases of its life cycle.

International concern for the loss of biodiversity has given rise to international, regional and national legislation, including the United Nations Convention on Biological Diversity (CBD), the objectives of which are the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits obtained from the use.

The oil and gas industry are therefore faced with the challenge of understanding what conservation of biodiversity means in practical terms and how its activities can be managed in order to minimise their impact on biodiversity. Biodiversity management constitutes a strategic issue for the sector and therefore, for Repsol YPF also.

Repsol YPF is strengthening its resolve on matters of environmental and biodiversity protection, proof of this in the incorporation of this matter in the new Health, Safety and Environment Policy approved in July 2006.

Repsol YPF has shown this commitment with the approval in July 2005 by the Company's Board of Directors, a position which commits all levels of the company to a common effort to minimise its possible impacts and contribute towards the conservation of this universal patrimony.

External opinion

"Integrating biological diversity into oil and gas development has become an important component in the Repsol YPF business principles. Biodiversity is the extraordinary variety of life on Earth – from genes and species to ecosystems and the functions that they perform. Species, and the ecosystems in which they live, are totally linked. Changes in the life cycle of one species could impact the life cycles of many other species (including humans), and thus changing the functions that ecosystems provide to us, such as clean air and water and pollinating the plants that use for our subsistence. Consequently, conserving biodiversity, whilst at the same time developing energy projects, must be a priority for society, and a business responsibility.

Conserving biodiversity presents challenges and opportunities for the oil and gas sector. The challenges include the prevention of secondary impacts, the development and proper utilization of biological indicators, avoiding the introduction and spread of invasive alien species, understanding and quantifying ecosystem services, as well as the suitable development of offsets for the inevitable impacts to the environment. Opportunities include the use of improved technologies that allow the identification and avoidance of sensitive areas, creating valuable scientific knowledge to improve the way operations are managed, and aiming towards having a net positive impact on the environment throughout the life of the project, among others.

Conserving biodiversity has many values for Repsol YPF. It can contribute towards being a leader in corporate responsibility and reduce projects risks and uncertainties. By being an operator of choice, it can open new lines of business. In short, it is a win – win situation to be an active player in biodiversity conservation."

Alfonso Alonso and Francisco Dallmeier
Smithsonian Institution

Internal opinion

"Conservation of natural habitats and biological diversity is, nowadays, a critical aspect of the environmental impact management of a company like Repsol YPF. Companies like ours frequently operate in regions with great biological richness, such as tropical forests, which represent some of the most sensitive natural environment worldwide. Our responsibility with future generations is to make sure our extractive activities don't put at risk the biological richness of those places where we are operating. This is what we showed the need for in our Position on Biodiversity that we announced around a year ago.

In Repsol YPF we appoint resources and knowledge to prevent and minimize negative impacts of all operations, especially in sensitive natural environments, biologically different and protected. We want to include biodiversity in management systems and decision processes of our company including Environmental Impact Studies and Environmental Use Plans. Furthermore, we participate in investigation, conservation and education projects and we cooperate with communities and other stakeholders to make biodiversity an explicit aspect to consider in the decisions we take."

Robert Wilson

Director Exploration and Production Operations
Quality

Repsol YPF position on Biodiversity



Public attention is increasingly focusing on the conservation of natural habitats, biological diversity, and their relationship with socio-economic development. Repsol YPF, sharing this concern, is taking biodiversity into account in the planning and development of its projects and operations, and is integrating measures to limit potential negative impacts on ecosystems.

The protection and conservation of the environment and biodiversity are key elements in our business strategy, as inspired by the principles of sustainable development.

Our actions shall be based on responsibility and transparency, and guided by the following four principles, as per our Health, Safety and Environment Policy:

- Prevent and minimize negative impacts on the environment in all our operations, especially in sensitive, biologically diverse or protected areas.
- Integrate biodiversity in management systems and in decision making processes, including environmental and social assessments.
- Take part in research, conservation, education and awareness raising programmes.
- Report on biodiversity related issues and collaborate with communities and other interest groups.

For more information go to: <http://www.repsolypf.com/>

During 2006, a work group on biodiversity was formed with representatives from all business areas of the company, their main objectives were: to exchange good practices, to develop alliances with NGO's and universities and to develop training and internal and external promotion actions.

On these lines, in October 2006, a work plan for the next few years was designed with four key lines of action that were based on the four principles on biodiversity which form the foundations of the Repsol YPF Position, and which were presented and approved by the company's Board of Directors in February 2007.

In order to make good the commitments undertaken when stating its position, the company has designed a work plan on biodiversity in which all company activities are included.

This plan has the objective of making progress on the defined strategic lines, introducing the concept of biodiversity in decision making processes, planning and in the development of projects and operations. The plan contemplates both actions for the mitigation of primary and/or secondary impacts, along with training actions and the provision of support for research programmes. The latter is carried out through agreements with universities, NGO's and other organisations in the research field.

One of the main objectives of the Plan is to compile a Plan for Action on Biodiversity (PAB) based on the best practices of the IPIECA (International Petroleum Industry Environmental Conservation Association) and OGP (International Association of Oil and Gas Producers) in company operations that are located within Protected Areas classed by the World Conservation Unit (IUCN) as categories I-IV.

PAB's have been compiled in different company installations. Worthy of note is that compiled in 2006 for Block 39 activities



in Peru in collaboration with the Smithsonian Institute. In this first phase, a site visit was made to consult the different interest groups and to evaluate the existing information on biodiversity in the block. For 2007 and 2008 the phase II of the work plan will be developed.

Actions to prevent and minimise impacts

For Repsol YPF, discovering and assimilating its most significant impacts on biodiversity is not an easy task.

For this reason, biodiversity protection activities have been extended throughout all areas of the company.

The main efforts of Repsol YPF on matters in relation to biodiversity are particularly centred on exploration and production activities in areas where the company develops projects in protected areas or areas

of high ecological value in several of the countries in which it operates. Proof of this are the studies and environmental management plans developed in the areas of Llanquanelo and Aura Mahuida (Argentina), respectively.

- *Llanquanelo Area:* The Llanquanelo area is located on the west border of the fauna reserve Laguna de Llanquanelo (Argentina). This reserve is a wetland which is included on the RAMSAR wetlands list (Convention on Wetlands of International Importance especially as Waterfowl Habitat), with more than 130 species of migratory and resident birds.

Biodiversity protection extends to all the areas of the company



Various studies have taken place in the area, at the request of various different organisations, with an end to analysing and monitoring the possible environmental impacts of the project on the area of influence. Among other actions, important are those for the realisation of "base line" biological studies; geochemical analysis of the system; the evaluation of sound pressure levels; and finally, the analysis of surface waters and phreatic levels.

Various institutions participated in the performance of these studies, such as the National University of Cuyo and the National University of Cordoba.

- *Auca Mahuida Area*: the environmental management plan was compiled for this especially sensitive Environmental Area of Auca Mahuida, approved and performed together with the Authority for Natural Protected Areas of the province of Neuquén (Argentina).

For more information on the land adjacent to or located within natural areas where different company centres are located, see www.repsolypf.com.

Actions for integrating biodiversity into management systems

One of the main principles established in the Repsol YPF position on biodiversity is that of integrating all aspects of biodiversity into company management systems and decision making processes, including environmental and social evaluations.

This is not an easy task given that the scope and relevance of each of these steps varies depending on the function stage of the project life cycles, on the type of site or operation or on the environment and social context in which the activities are carried out, among other things.

In addition to the direct or indirect impacts caused by the operations of a project, other present and future impacts associated with other activities in the area must also be considered. The evaluation of these impacts is not necessarily included in traditional Environmental Impact Assessment (EIA).

At the beginning of 2006 Repsol YPF created a guide on performing EIAs for application in exploration and production activities which includes a section referring specifically to the integration of biodiversity issues.

This guide is used in EIAs in exploration and production activities and includes references to: primary, secondary and cumulative impacts, identification of sensitive areas, early consultation with interest groups, Rapid Ecological Assessments (REA) during exploration phases in places where there is detailed information on biodiversity, development of a more detailed base line, particularly in sensitive or protected areas and, finally, the design of a long term monitoring plan to evaluate impact evolution.

In this sense, environmental monitoring is a key element for evaluating impacts and the effectiveness of programmes established for the protection of biodiversity whilst also

addressing the legal requirements of each place. These monitoring programmes are carried out in compliance with the applicable legislation.

All Repsol YPF operations perform environmental monitoring programmes on their activities.

Worthy of note is the biological monitoring underway in Block 16 (Ecuador) which is being carried out once again after 10 years, evaluating the ecological effects of the hydrocarbon operations within the block and comparing the results obtained during 2006 with those obtained from the monitoring programmes performed in 1994 and 1996.

Moreover, where environmental and social impact studies identify impacts, Repsol YPF includes appropriate restoration and rehabilitation programmes in the associated management plans, with the objective of the environment returning to its original condition over time.

This stage covers, for example, the dismantling of fields, removal of all installations, equipment and materials, the analysis for decompactation of soils to favour revegetation or the recovery of areas affected by hydrocarbons.

Various restoration projects worthy of note are described below: Capachos Block (Colombia) and Margarita Field (Bolivia).

Projects area also underway in areas that are not directly impacted by our operations. As an example of this we could mention the Neuquen forestry project and the Floresta do Futuro Project in Brazil.

Conservation of the upper part of the Quebrada La Macaguana basin (Capachos Block – Colombia)

This area is located to the east of the Capachos block, bordering the Sierra Nevada of the Cocuy National Natural Park and the Angosturas indigenous reserves.

The objective of the project was the conservation of the upper part of the Quebrada basin, for which the purchase of land and buffer zones was made in order to facilitate the natural recuperation of forest coverage.

Today, this area has two protected areas of some 50 hectares each conserved by the community (represented by the communal action committee and the indigenous reservation) classed as a community reservation, recognised by the environmental authority.

Erosion and reforestation management control on export pipelines at the Margarita Field (Bolivia)

In 2006 a project was set in motion for the construction of erosion control measures on a section of the export pipeline of the Margarita Field, operated by Repsol YPF Bolivia.

The project comprises the construction of gabions, causeways, energy dissipaters, drainage systems, pipeline protections at joints, dykes, dams, channels, breakwaters, buffer overflow defences, gutters and slope restoration.

Moreover, the project considers the use of native species, thus favouring their acquisition from the communities in which Repsol YPF has agreements for plants reproduction in nursery.

One of the main challenges of this work is that due to the topographic conditions and the fragility of the ecosystem, the work must be done without heavy machinery.

Neuquén Forestry Project (Argentina)

This is a reforestation project managed by the Repsol YPF West Argentina Business Unit. In 2005 work began on the second phase of this project, characterised by its strict conservation criteria, particularly on actions for incorporating new fields, their subsequent implementation and the design of infrastructures such as pathways and firebreaks.

With the collaboration of the Neuquén Province and the intervention of the University of Comahue, recommendations were made for the design and development of restoration actions within the project. New criteria were taken into account for the reforestation activities carried out at the Litrán area, close to the Pino Hachado International highway, incorporated into the project in 2006.

Among others, the following recommendations were made:

- To increase the distance between plants to promote the recovery of the understory.
- To place rows perpendicular to pathways, following curves, avoiding regular placement of plants and consequently improving the visual aspect.
- To construct pathways and firebreaks in a way that avoids erosive processes and reduces the visual impact.
- To create restoration plans for mountain flood meadows and ravines.
- To implement reforestation plans with native species in order to maintain and increase biodiversity (lenga and araucaria tree varieties for example).
- To establish buffer zones between the native forest and the forestation area.

- To reduce planting density in proximity to the native forest in order to allow future reforestation with native species.

Large expansions of mono-species forest masses constitute health, economic and social risks, therefore a forest diversification processes become tools for reducing said risks. In addition, if native species are involved in the process, this diversification will generate an improvement in local biodiversity levels.

In this sense, during the winter of 2006, a test in the Alicurú area began. Its objective is the productive diversification of this field using alternative species, one of which is the Cordilleran Cyprus (*Austrocedrus chilensis*).

Florestas do Futuro Programme, Brazil

Repsol YPF collaborates closely with the SOS Foundation of Mata Atlantica in the Forests for the Future project. This initiative counts on the participation of Repsol YPF which is the only oil company accepted for this program, and has permitted combining multiple social agents, public and private.

This program is oriented on the reforestation of the Mata Atlantica (one of the most threatened tropical forests on earth) and to recover riverbank areas, conserving its course and biodiversity. These acts are complemented with socioenvironmental actions and technical training by means of

sustainable activities that help to conserve the Mata Atlantica.

From 2005, Repsol YPF assumed their commitment to create the *Floresta Repsol*, and undertook the planting of 15,000 species native to the Mata Atlantica in an area of nine acres in the Paraiba do Sul river basin (in Pinheiral city - Rio de Janeiro).

This river represents the main source of supply of freshwater to the Brazilian capital, Rio de Janeiro. With the *Floresta Repsol*, the company's contribution has led to that more than 5 million inhabitants from the 160 municipalities who benefit from the

Paraiba do Sul river, are guaranteed a supply of drinking water.

Parallelly to the reforestation and preservation of freshwater resources activities, this program has as an objective to stimulate the training of students from the Níle Peçanha Technical College, through practical work experience classes in the *Floresta Repsol*. In addition, students are selected by the local unit of the SOS Foundation Mata Atlantica to act as multiplier agents in the community of the area spreading among the population the importance of agricultural planning and environmental preservation.

To participate in research, conservation, education and awareness raising projects

Education and raising awareness on socio-environmental issues as well as research on biodiversity protection are considered fundamental tasks in raising awareness in society on the preservation of our environment. Repsol YPF collaborates in various programmes which include those for the protection of protected areas and those for the protection of species.

In addition, Repsol YPF also maintains its commitment to support projects and organisations which promote research, conservation, education and raising awareness on matters related to biodiversity.

Among these projects are those listed below:

- Study on the ecological condition of the discharge water surroundings (Punta Lucero) of the Petronor refinery (Spain), as part of the receiving medium surveillance plan carried out in collaboration with the Basque Country University (BCU).
- "Marine biodiversity on the Patagonia coastline" project. Repsol YPF has participated in this project since 2004, it consists of a long term programme for the identification and census of right whales (*Eubalaena Australis*) in Port Madryn and Port Pyramid, in the province of Chubut, Argentina. Its main objective is to carry out coastal census through the photographic identification of right whales that frequent the New Gulf Coast. This is also designed to obtain information on the biology and ecology of this species and its interaction with human activities in the region, and to carry out informational and educational activities about the right whale.



- Supporting the environmental education programme in the municipality of Tame (Colombia) in coordination with the Regional Environment Entity. The project includes advice on development of environmental education programmes in educational institutions. Work is currently underway in twelve institutions.
- During 2006 various educational visits took place to the ecological reserve in Lujan de Cuyo (Argentina). Information leaflets were distributed during the visits with information on the activities carried out at the reserve. Also worthy of note is the bird watching day that was carried out as part of the world bird festival. This educational and awareness raising event is coordinated by Bird Life International on a global scales and *Aves Argentinas* on a regional scale (the ornithology association of Plata).

The company has also participated in the creation of different publications in Argentina on animal species such as "Birds of Laguna Los Patos, Pico Truncado" and "Reptils of Laguna Los Patos, Pico Truncado" compiled by the National University of Austral Patagonia and the municipality of Pico Truncado (Argentina).

Repsol YPF
is the only oil
company in Brazil
accepted
to participate
in Florestas
do Futuro Project



Bird protection at the Puertollano refinery (Spain)



Despite the fact that the biological richness that surrounds the refining activities of Repsol YPF in Spain is not comparable to that found in other operational areas, the company also maintains its commitment to protect biological diversity in Spain

Along this line, when undertaking the dismantling of an acryl-nitrile (ACN) plant that had been out of operation since 1980, the management of the Puertollano refinery decided to do so whilst attempting to preserve the avifauna that had by then established itself at the site. Consequently, the dismantling took place within timeframes limited by the migratory periods of the birds to be protected (storks and lesser kestrels, some considered to be "of special interest" and others "vulnerable" according to the regional catalogue of endangered species), so that upon their return they would find alternative sites and nests to those that they previously occupied.

From the beginning the project was reported to the competent authorities who provided their support and approval. In addition to the measures taken during the dismantling process, supports for stork nests were built and "decoy" nests installed to encourage them to take up place in the nests, and a kestrel loft (the equivalent of a large pigeon loft for lesser kestrels), with 100 enclosures where nests could be installed was also installed. As a result of this work at the old ACN plant, what is deemed to be the second lesser kestrel colony in the province of Ciudad Real (Spain) was created.

The new installations were inaugurated in April 2006 by the regional authorities, this was marked by the release of some lesser kestrels that had been cared for at a regional bird recovery centre. Local television channel I+ also awarded the Puertollano refinery with a prize in October in recognition of the efforts carried out in order to protect the birds that had installed themselves at the old plant.

The presence of the birds at the Puertollano industrial complex can also be seen as an air quality indicator which is much more sensitive and adapted to biological reality than any advanced technology analyser.

Information and communication with communities and other interest groups

Repsol YPF collaborates with the IPIECA biodiversity work group and forms part of CASYSIA (Committee for the Environment, Health and Industrial Safety) of ARPEL (Regional association of oil and natural gas companies in Latin America and the Caribbean).

Repsol YPF believes that with early and participative consultation with interest group, knowledge of local conditions can be improved and public support for long term projects can be increased. In particular during 2006, associations with third parties have been established in order to carry out protection and restoration projects on affected areas.

Proof of this is the association established in 2006 between the Smithsonian Institute (Monitoring & Assessment of Biodiversity Programme) and Repsol YPF Peru Upstream, to improve the exploration activities in Block 39 in relation to the management of matters of biodiversity, including the restoration of affected areas.

Also worthy of note is the extension in 2006 of the collaboration agreement between Repsol YPF Bolivia and the *Amigos de la Naturaleza* Foundation.

This agreement has two main objectives, one is the start up of research projects and projects for spreading scientific information to promote the conservation of biodiversity, the other is to investigate and develop activities which enable the application of instruments for private conservation in the areas owned by Repsol YPF.

Rescue centre at the ecological reserve of the Luján de Cuyo refinery (Argentina)

During 2006, Repsol YPF has established collaboration agreements to carry out projects of protection and restoration of affected areas

In October 2006, Repsol YPF held a workshop on biodiversity to spread the work on the company's focus, promote the biodiversity work plan and share information on projects underway. The workshop brought together many professionals from Repsol YPF who work in issues related to biodiversity, and some external organisations.

Issues relating to sharing theoretical aspects were also dealt with: definition, methodologies, with the presentation of projects under development and with training on action plans on biodiversity managed by the Smithsonian Institute.



The "rescue, rehabilitation and conservation centre for wild birds", is a centre located in the ecological reserve of the Lujan de Cuyo refinery thanks to an agreement between Repsol YPF and the Renewable Natural Resources Department of the Province of Mendoza.

The rescue centre's main objective is to contribute to the rescue and survival of birds in situations of risk, victims of poaching and illegal trade, for their rehabilitation and subsequent liberation.

The centre is one of a kind in the Mendoza province. The operations plan for the centre, along with its coordination and supervision, are lead by the Renewable Natural Resources Department of Mendoza, in their role as the authority for applying national and provincial laws on fauna.

Repsol YPF provided the specially constructed installations for the centre and the technical personnel that provide services in the Reserve and also ensure safety at the location.

The installations have three enclosures, for quarantine, recovery and breeding, occupied by the birds throughout their recovery and preparation for a new life.

At the beginning of May 2006, before its formal inauguration, the centre attended almost 50 birds at the sanitary barrier of the inter-provincial post on the border between Mendoza and San Luis. Ten plush-crested jays (*Cyanocorax chrysops chrysops*) and 33 red crested cardinals (*Paroaria coronata*) were the first visitors to the quarantine enclosure. Once recovered, two months later, the birds were set free in their natural habitat, the province of Corrientes.

Technology at the service of people, products and the environment

A commitment to the most advanced technologies

Repsol YPF in its day to day operations, is committed to employing the best competitive technologies in order to obtain products that meet customer expectations, manufactured using the most efficient processes and with minimum impact on the environment.

The technological ambition of Repsol YPF is based on lines of action which are focussed on the permanent improvement of products and process, using the best commercial technology available and optimising its own technologies in order to do so, this is the industrial reality in many Repsol YPF refineries and production complexes.

Resources for current technological improvements are complemented with others lines from its own technological development, even more innovative and risky technologies that will give results over a longer time frame, the success of such projects will provide greater returns, a more solid competitive position and greater customer satisfaction.

Repsol YPF leads European Biofuels Technology Platform that will perform as coordination forum of all European agents with interests in this matter

Repsol YPF constantly monitors the evolution of technologies that may have a competitive impact and maintains an up to date knowledge on such technologies by performing Specific State of the Art and Technological Prospecting Studies.

In these studies we analyse the existing and the emerging technologies which have or could have a competitive impact, special attention is given to assessing any feature or performance limits, attempting to anticipate technological replacement which may lead to opportunities for improving the competitive position, if the decision is the right one. Apart from considering technological evolution, we analyse other factors (social, political) and actors (clients, competitor, authorities), that may influence the evolution of technologies. Using this approach, we create profiles of future competitive scenarios which enable us to define, in advance, the technological decisions that we make,



External opinion

"The world is faced with a three-fold challenge over the next 30 years: how to provide energy services to every household in the world; how to slake the planet's thirst for energy, and how to reduce greenhouse gas emissions.

E.U. leaders claim that a 20% reduction in greenhouse gas emissions (GHG) can be achieved by 2020, and 30% if the US joins in. These encouraging targets continue to receive praise from various groups. However, it has been postulated that despite the current long term capital-intensive investment in clean energy technologies, a substantial new investment would be required if emissions are to fall before 2030; ten years beyond the current deadline.

Governments recognise the need for ambitious and far-sighted thinking to diminish emissions growth. Unfortunately this well-intentioned awareness rarely leads to substantial legislation. WEC estimates that, with the right policies and technologies in place, the rise in GHG emissions can be tempered in the short-term, their absolute level can be stabilised in the medium-term and reduced in the longer term.

The growing shortfall in the amount of capital necessary to achieve this aim is the heart of the problem. Due to the growth in energy demand and subsequent emissions in the developing world, the environmental need to take immediate economic responsibility is vital.

One way to stimulate energy investment in the developing world is to ensure that the Clean Development Mechanism, which allows industrial countries to meet their Kyoto Protocol commitments, includes energy efficiency projects and is widened to cover carbon-lowering technologies. An action that would in turn help decouple global GDP growth from emissions growth by 2030.

The International Energy Agency estimates that, worldwide, \$20 trillion of investment in the energy infrastructure alone is needed over the next quarter-century, \$800 billion a year. Unfortunately, only half of the \$20 trillion has been committed, half of which is needed for power generation alone. Although investment into cleaner energy will inevitably lead to higher global energy prices, this will undoubtedly act as a powerful motivator for greater consumer energy efficiency.

To meet rising energy demand, while curbing emissions, the number of public-private partnerships in the energy sector must be actively promoted. Cooperation between the energy industry, governments and the financial community is the key since no single partner has adequate resources to go it alone."

Gerald Doucet.

Secretary General of the World Energy Council

Internal opinion

"Wagering on technology is one of the pillars that Repsol YPF leans on for competing in the energy market, where lately, the change of rhythm is frantic. In Repsol YPF, we count on ambitious investment plans on investigation, development, and innovation that will facilitate us access to the necessary new technologies to reinforce our competitive position.

One of the main challenges that society currently faces is to achieve a sustainable energy supply that satisfies the growing demand for the necessary energy in order to attain economic growth and social welfare in all countries without jeopardizing the environmental health of our planet, already affected by the consequences of the climate change. In order to do this, it is necessary a clean use of fossil energies, such as oil and gas and extend the use of renewable energies.

In line with this, in Repsol YPF, we are expanding the capacity of our refineries to obtain cleaner fuel and gasoil by starting from a more abundant heavy crude oil. We are in the process of improving the recovery rate of oil and gas from our oilfields and developing new infrastructures for transporting natural gas, and we have initiated a diversification towards renewable energies with the development and production of biofuels.

We are already leaders in Europe for the use of bioethanol in fuel, and we will be producing more than a million annual tonnes of biodiesel before 2010, this accompanies an ambitious research and development program that includes the leadership of national and European projects."

Luis Cabra. *Technology and Engineering Director*



Own research centres and collaborations with third parties

Repsol YPF's technological capacity evolves in line with company size and with the technological requirements and opportunities that come from the businesses. Repsol YPF currently has two Technological Centres in Spain (Móstoles) and Argentina (La Plata), where the activities and the most significant resources for technological development are concentrated. At the end of 2006 almost 450 people worked in these centres.

Installations make the Technological Centre in Spain a world reference and in where 320 people carry out their activities. The Technological Centre in Argentina was recently extended in order to cope with the increase in technological development activities throughout the Exploration and production business area, which is highly concentrated in the South American geographic region.

The action lines and projects undertaken at Repsol YPF are agreed through a contractual model with the business units. In order to compensate the natural tendency to focus on the short term technological requirements, long term and innovation projects are partly supported at corporate level.

In order to develop the technological development projects in its areas of interest, Repsol YPF reaches agreements with universities and other public or private technological centres, as well as with other companies. Said agreements are based on Repsol YPF's will to participate and collaborate with the surrounding social environment in an attempt to obtain a mutual benefit and assist with the achievement of their objectives.

The monetary value of the technological collaboration contracts has increased very significantly in recent years, exceeding the 7 million euros mark in 2006 and with almost 240 contracts underway.

by developing the correct competitive strategy (development of our own technologies or in collaboration) at all times.

These studies are updated if indicated by the information detected by our technological surveillance tools. These tools are used to monitor the evolution of technologies in our areas of interest, with particular attention paid to monitoring the activity lines of our competitors through analysing their publications and patents.

450 employees at
Repsol YPF technology
centres

65 million euros invested
in 2006

The collaboration fields cover all of Repsol YPF technological development activities: exploration and production of hydrocarbons, refining and petrochemicals processes and product development. They are mainly focussed on the early stages of projects and on the performance of activities in which Repsol YPF has most expertise.

Repsol YPF actively participates in R+D programmes promoted by the different administrations; during 2006 it has participated in eighteen projects within the different Spanish government initiatives and in six European Union projects.

Applying technology to the business

In 2006, Repsol YPF allocated approximately 65 million euros to technological development, a further 7 was provided by the business units. The activity is applied to the complete business chain, from the exploration of new oil and gas fields, its extraction and treatment for transport, manufacture of products at the industrial complexes and their distribution to the end user.

In the **Exploration and production** of hydrocarbons, the projects are focussed on increasing production and improving gasoline recovery, with a particular focus on heavy and extra-heavy oils, on exploiting natural gas reserves through the liquefied natural gas chain and other alternatives, on reducing the environmental impact of operations and reducing operational costs.

From the actions carried out during 2006, it is important to note the following:

- Various WAG injection cycles (water alternate gas) carried out at the Chihuido field in the Sierra Negra with the objective of determining the increase in the recovery factor of the largest oil field in Argentina, currently in secondary production; the results of the tests

Repsol YPF counts with two Technological Centres, in Spain and Argentina, where the most significant technological development activities and resources gather together

concluded a significant increase in production.

- Detailed studies on the technical and economical variables of a business case for obtaining liquid fuels from natural gas, using current technological alternatives, which detected a profitability opportunity.
- From a comprehensive treatment perspective on the corrosion phenomenon at installations, there are various initiatives underway (Loma La Lata, Cerro Fortunoso, Barrancas), focussed on introducing better materials and reducing the cost of tubular products. These initiatives include all of the company's experiences over the last 15 years.

7 million euros in technological collaboration projects with third parties.

240 contracts underway in 2006

It must also be noted that Repsol YPF is applying very innovative techniques for detecting possible environmental impacts at hydrocarbon exploration and production operations; these techniques are based on the use of satellites to provide high resolution images able to show differences in the composition of the monitored surfaces. This has been applied to the monitoring process for surface waters with good results. Speed, low costs and quality of the results are just some of the advantages of these techniques which allow faster and safer diagnosis of environmental impacts.

In **Refining and marketing**, specialist technological support is provided for the continuous optimisation of the production processes necessary for obtaining better quality gasoline and gas-oils and to anticipate the requirements of international standards. New projects are also underway, such as plant-based bio-fuels or improved-performance lubricants and asphalts. At the Technological Centre in Móstoles, products used by world championship motorcycle teams are manufactured, along with other competition products. For example, the

champion team in the highest category of the world motorcycle championships 2006 used gasoline developed by Repsol YPF.

Repsol YPF is the European leader for the use of bio ethanol in gasoline formulations.

Among the technological improvement activities undertaken by Repsol YPF in the Refining and marketing business are during 2006, the following are worthy of note:

- A monitoring system for sulphur reduction in gasolines and gasoils was implemented. This system was internally developed and has enabled unit operations at various refineries to be optimised.
- Proposals were made for changing the current method of sweetening and separating FCC naphtha which limits the production of fuels with 10 ppm of sulphur.
- With real operations carried out at industrial units, it was established that the company's own new catalyst has a better cycle duration and function than the best commercial catalysts for the hydrogenation of diolefins.
- The CDTI organism belonging to the Ministry of Industry, Tourist and Commerce, approved the PiIBE project, a Research Project to Impulse Biodiesel consumption in Spain, lead by Repsol YPF, thanks to the use of new local raw materials and reduction in production costs. The project fits in the framework of the CENIT Program and INGENIO 2010 initiative of the Spanish Government. This project with 4 years of duration and with a budget of 22 million euros, co financed at 50% by companies and the Ministry of Industry, Tourist and Commerce (participation of 15 companies and more than 20 public and private research centres), has a clear objective to increase the availability of local raw materials and the reduction of production costs for biodiesel production, facilitating the market





introduction of this product and complying with the Spanish and European objectives with respect to the use of combustibles that will reduce greenhouse effects.

Repsol YPF chairs the European Bio fuels Technology Platform. This platform will act as a forum for coordinating European agents with interests in this matter: companies, vehicle manufacturers, the agricultural industry, agents from the European R&D system.

- A bitumen formulation and manufacturing system has been developed – storage stable tyre powder; this new product represents a particularly significant contribution by Repsol YPF to the environmental problem caused by the disposal of used tyres.
- New products to expand the range of industrial lubrication oils have been developed for high performance applications (grinding oils, compressor oils and fire resistant oils); moreover, these developments have obtained dielectric oils which meet even the most recent standard requirements.

Also important to note is that during 2006 formulations for 100% vegetable based lubricant oils have been obtained, designed for use on hydraulic machinery, as transmission oils and two stroke engine oils. These new formulas are now being tested in other applications, such as transformer oils, textile machinery oils, cutting oils and other applications. The plant species used are sunflowers and jojoba and the use of other oilseeds is being explored. As these products are biodegradable and non toxic, they are therefore desirable for use in situations where there is a high probability of the accidental exposure of a sensitive environment to the lubricant.

Technological development projects undertaken by Repsol YPF are a clear demonstration of its commitment to sustainable development with the social environment where the company carries out its operations

In the **Petrochemicals** field, Repsol YPF continues to its important efforts on consolidating its own technology developed over recent years. From the actions carried out during 2006, it is important to note the following:

- In the OP and derivatives business the expansion of the Tarragona Plant is already underway, this will raise the production capacity from the current level of 150,000 tonnes per year to 200,000; bottle necks are currently being evaluated in order to increase this capacity even further, whilst the modifications designed to improve specific consumption, safety and the environmental impact of the operations have now been defined.
- In the polyolefins business the available technology is continuously being evaluated, incorporating the best catalysts to address the demand for products from

our client base; moreover, processes are constantly being improved, by developing simulation tools which allows us to optimise operations at minimum cost. A significant amount of resources is also being allocated to optimising the investment made at the PEAD plant at Sines, for a rapid assimilation of the technology and an increase in its profitability.

- In regard to another large area of chemical activity, fertilizers and solvents, resources are being assigned in order to expand the product range and improve processes, continuously updating the catalysts used and implementing new control tools for better management of the operations and control of their environmental impact.

In relation to liquid petroleum gas (LPG), and to the activity for the approval of apparatus and materials in 2006, of particular interest are the resources focussed on promoting the use of this type of fuel for automotive and polygeneration fields, with pilot tests being carried out in various different customer installations with satisfactory results.

In addition to the above-mentioned projects, we should note some others, such as the introduction of a new product (AdBlue) to reduce diesel fuel emissions in heavy vehicles; demonstration projects for the capture and storage of CO₂; the improvements for increased energy efficiency; the change of processes to ensure the availability of fuel under 2010 standards; the system for quantifying odours (“the electronic nose”); or the biological techniques for the recuperation of contaminated soils. All of these projects are a clear demonstration of Repsol YPF's commitment to the sustainable development of the social environment in which it operates.

Twenty years of investigation at the service of the agricultural industry and environmental improvements

Repsol YPF is a world leader in agricultural films. This isn't a coincidence, it is the result of a prolonged research commitment. The relationship between Repsol YPF and the world of agriculture began more than thirty years ago; since then, the films manufactured with Repsol YPF agricultural compounds have been used to cover greenhouses in more than a score of countries and in the most diverse of agricultural applications.

The research efforts of Repsol YPF on products for the agricultural industry are performed in collaboration with other companies, universities, research centres and experimental agricultural stations. Among its own installations, Repsol YPF has artificial ageing chambers to accelerate the ageing process with xenon lamps, which simulate solar radiation and allow information on the life duration of the different films to be gathered faster than under natural ageing conditions. Repsol YPF also has micro greenhouses which are used to quickly study the characteristics of experimental films in conditions similar to real conditions.

Finally, Repsol YPF has an experimental greenhouse of almost 1,500 square metres which allows us to perform comparative studies in real and controlled conditions. The greenhouse is adapted for hydroponic crop cultivation (without soil) and has drip irrigation systems, relative humidity control, pesticide spray application systems, and systems for heating, cooling and supplying carbonic fertilisers through a gas absorption machine, all of which is controlled automatically. Repsol YPF has a micro weather station with a vane apparatus, an anemometer and a rain sensor, which supplies information to the system for opening and closing windows, along with the internal temperature and relative humidity sensors, for automatic climate control.

In the last twenty years, the most important milestones of this research effort have been the following:

- 1987: first anti-drip film.
- 1996: three season duration films.
- 1997: solarisation film.
- 2000: anti-disease film.
- 2006: anti-thermal film.

The research of Repsol YPF has provided plastics for agriculture with significant benefits based on their own technologies and know-how. All of these developments are patent protected throughout the world. The research lines continue through time; the most important lines today are: duration, stabilisation, thermicity, anti-drip and photo-selectivity.

The most recent developments are truly innovative: a film with UV light block that protects crops from disease



and infestations, ultra-thermal films that selectively block solar rays, and fluorescent films which convert UV light into types of light that favour plant growth.

The improvements to agricultural production are evident: allowing larger crops to be obtained, more frequently, earlier and of better quality, and making the cultivation of vegetables, fruit and flowers possible in areas and at times of the year that without these developments would be unthinkable. These plastics also, thanks to their efficiency, reduce water requirements, and their long durations contribute to waste reduction.

Repsol YPF has achieved a technology which enables the life of agricultural plastics to be lengthen by up to 9 times, and generate 50% less waste.

For more information go to
www.repsolyypf.com

Ensuring the supply

13 billion euros, is the investment required in order to respond to the increased energy demands until 2030

70% of the growth in demand until 2030, will come from emerging economies

Energy sector companies play an important role in achieving energy challenges which society faces

20% increase in global demand for oil 1994-2006

1.6% annual increase in global demand for oil forecast until 2030

Although the supply of energy is a matter which is often taken for granted, the security of that supply is a crucial factor for economic progress and for maintaining the standards of living reached in advanced societies. Access to energy is fundamental for everyday existence. The existence of sustainable, competitive and secure energy sources is one of the basic pillars of all modern economies.

However, the responsibility of ensuring the availability of sustainable, competitive and secure energy to society does not exclusively fall on the companies within the energy sector. This is firstly the responsibility of the regulators, shared by the companies and ultimately by consumers. Regulators establish the institutional basis for the correct operation of the energy markets. The companies are then responsible for

responding to the energy requirements of society. Consumers also play an important role, as their decisions will guide markets and energy policies.

For more information go to <http://www.eia.org>

As stated in the World Energy Outlook 2006 from the International Energy Agency, the world is faced with various dilemmas in relation to matters of access to energy.

On one hand is the need to have secure, abundant and economical energy sources; a need which must become compatible with the control of negative effects on the environment caused by the increasing use of energy. On the other hand is the need to control the increase in demand for energy from fossil fuels, which brings along with it the need to increase the geographic diversity of the origin of fuels and the diversification of the types of fuels; all whilst maintaining emissions which are harmful to the climate under control.

Repsol YPF is guided by both the company's strategic position and the focus of the regulators. During 2006, we saw a renewed interest from public authorities to deal with questions relating to energy security.

In March 2006 the Commission of European Communities Published its Green Paper "European strategy for sustainable, competitive and secure energy".

The Green Paper states the importance of diversity in relation to energy type, the countries of origin, or the transit route in order to create conditions that are more conducive to energy security and improving the environment. The Green Paper, the basic line of which was subsequently ratified with the communication from the Commission to the European Council and Parliament, identifies six key intervention areas in order to respond to the energy issues posed and states that the European energy policy should establish three objectives. The companies within the energy sector have an important role to play in achieving those objectives.

Companies from the energy sector have an important role to play in meeting the energy challenges facing society.

External opinion

"Energy markets have changed significantly. The oil market, particularly, has globalised. The sharp division between the Western and Eastern blocs has collapsed; advances in information technologies have shrunk the world and countries outside the OECD have become increasingly important in energy balances.

Despite all these changes and recent geopolitical turmoil, the main challenges to energy security –or more specifically, to reliable energy supplies at affordable prices– remain the same. At the top of the list is that we are growing more and more reliant on imports from an ever-smaller group of often distant suppliers. Trade is to be welcomed as it binds suppliers and customers in mutually beneficial relationships. But, at the same time, the risk of a major supply disruption will undoubtedly increase. And it is not just about oil. It also concerns electricity and as we have seen recently gas.

For most of us energy self sufficiency is an impossible and unnecessary goal. But we need to be prepared to deal with the risks posed. Industry has a central role to play. Its task is to provide secure, affordable, clean energy. For this to be possible governments must ensure an attractive an open investment environment. All players have to look at new ways of diversifying the fuel mix and exercise leadership in dealing with the energy-security risks inherent in energy trade. Strategic oil stocks are a key tool but relations with energy suppliers will also have to be strengthened. Finally, as the most secure energy is that which we do not consume, we must all play a part to reduce energy use through conservation and efficiency measures."

Claude Mandil

Executive Director, International Energy Agency

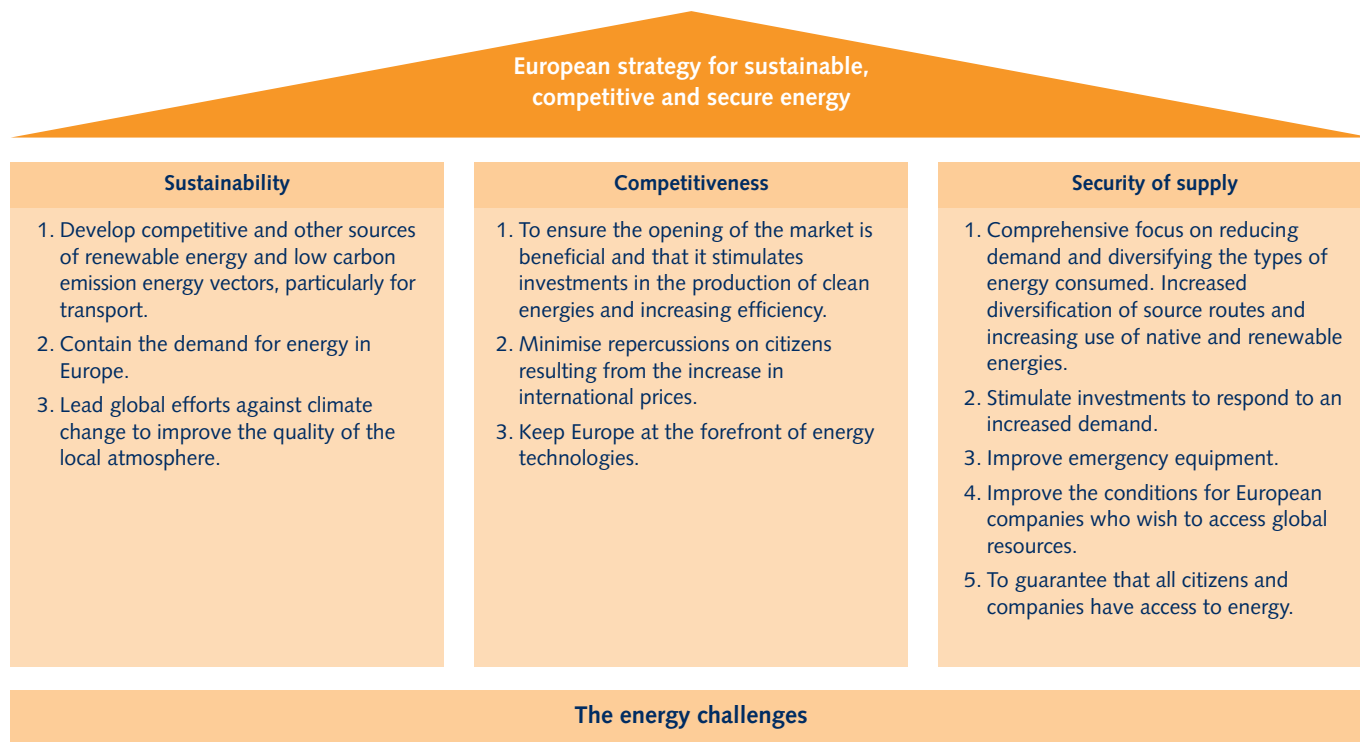
Internal opinion

"Energy supply forms a basic part of the prosperity of societies. According to a study carried out by the International Energy Agency, the global demand for primary energy will increase by more than 50% by 2030, with an average annual increase of 1.6%. Energy companies must work to guarantee a reliable, affordable energy supply which is respectful to the environment and socially accepted.

At Repsol YPF we understand that ensuring the energy supply is one of the main obligations that we have to society. We have set in motion a profitable growth strategy based on optimising existing projects, developing other new projects, some of which are important projects related to LNG, and analysing possible opportunities in areas of interest. These plans will support our activities in areas of great potential such as North Africa, the Gulf of Mexico or the Caribbean, in addition to strengthening our activities in Latin America. We continue to be strongly committed to growth in the refining field and in opportunities which areas such as natural gas and bio-fuels may create".

Miguel Martínez

Group Managing Director of Control and Corporate Development



59% of the oil consumed in 2004, was used in the transport industry

The European Union has set the target of increasing the quota of renewable energy production to 5.75% for biofuel in the year 2010

Fundamentally, providing a response to the challenges facing energy supply requires efforts from Repsol YPF in the following key areas:

1. Access to the raw materials necessary in order to offer products on the market which meet society's energy requirements.
2. Ensure that it has the technological capacity and the human resources able to carry out the complex procedures needed to transform raw materials into products and to guarantee that it has the necessary measures for making the energy available to citizens.
3. Ensure that investments are sufficiently scaled in order to respond to unexpected increases in the demand for energy in coming years.

4. Have the technological capacity to remain at the forefront of product and process improvements, and to develop other energy sources and vectors.

5. Collaborate with regulators and public authorities to overcome with guarantees, any possible interruptions in supply that may occur, whatever their cause.

Access to raw materials

Repsol YPF works to provide a reliable and affordable supply of the raw materials needed to transform them into energy products. Either by extraction from subsoil, through Exploration and production activities or acquiring them from the market place.

The operating income for Exploration and production activities reached 3,286 million euros in 2006, a 1.2% increase versus the 3,246 million euros of 2005.

The average hydrocarbon production of Repsol YPF in 2006 reached 1,128,300 boepd, 1% less than the same period of the previous year.

Supervision of Repsol YPF reserves

After the downward revision of reserves in January 2006, the Repsol YPF Audit and Control Committee announced that it was performing an independent review of the facts and circumstances relating to said revision with the collaboration of an independent legal advisor, King & Spalding LLP. It is important to note that the report stated that there was no evidence that any person involved with the public information process on proved reserves was motivated by personal gain. In addition, the report stated that the reduction of reserves on 31st December 2005 was in accordance with the recommendations of the external auditors of company reserves, and was motivated by, among other issues, the start up of a formal process to evaluate the technical and commercialisation aspects of the reserves.

However, according to the independent review, the process of determining reserves in relation to the company fields in Bolivia and Argentina was flawed from 1999 to 2004 and, on occasions, company employees failed to correctly apply the criteria of the Securities and Exchange Commission ("SEC") in relation to public information on proved reserves. The independent review indicated that this was principally as a result of:

i) The absence of correct knowledge and adequate training in relation to SEC standards applicable to the accounting process for proved reserves.

- ii) Undue optimism regarding the technical performances of the fields and (with regard to Bolivia) in relation to the commercialisation of gas, as well the focus on the company's reserve replacement ratio.
- iii) The absence of a meaningful deliberative process for determining reserves and resolving disputes.
- iv) Unwillingness to accept personal responsibilities for reporting internally adverse facts regarding reserves and a corresponding tendency to view such issues as falling within another persons' or departments' responsibilities.

In addition, the independent report notes that the changes introduced in 2005 notably improved the process of accounting for company reserves, including the separation of the reserve control function from the business units, instituting the Reserves Control Manual, efforts made on training programmes and the extension of the responsibilities of the Board of Directors on matters relating to reserves. These changes were found to redress the previous systematic flaws.

The Board of Directors has fully accepted the conclusions of the Audit and Control Committee and their independent advisor, along with their recommendations.

For more information go to:
http://www.repsolypf.com/imagenes/es_es/Fin_auditoria_reservas_160606_esp__168213_tcm7-208206.pdf

*Repsol YPF works
 to have a secure
 and affordable
 supply of raw
 material needed
 to change it into
 energy products*

225,000 million euros, the investment in exploration and production for the Oil & Gas sector in 2005

100% growth on the investment in exploration and production in the 2000-2005 period

Repsol YPF refineries processed 56.1 million tonnes of crude oil

The strategic lines which guide activities in the upstream area, as the growth engine of the companies E&P activities over the next few years, include continuing with the progress made in strengthening and consolidating the company's favourable position in the integrated liquefied natural gas business, by seizing on and developing any profitable opportunities which may arise both for integrated LNG projects and regassification projects. Activities will continue to be focussed on organic growth through an increase of the general activity levels, particularly in exploration activities, with selective exploration wells and the arrival of a new high potential mining domain.

Moreover, the strategy will be focussed on the growth in traditional resources through the maximum exploitation of the exploratory potential of mature assets already underway and by optimising the project portfolio. An additional objective for the upstream area is the development of heavy crude oil projects selected for their potential profitability for the company.

Investments made in the Exploration and production business area in 2006 reached 4,062 million euros, 108.5% more than those made in 2005. This vast increase was largely motivated by the purchase of the Shenzi oil field for some 1,727 million euros,

the purchase of 10% of West Siberian Resources, and the increased development and exploration activities.

In 2006, Repsol YPF announced an investment plan for Argentina covering the three year period from 2007-2009 which forecasts the investment of approximately 3,600 million euros in Exploration and Production.

Capacity to transform raw materials into energy products

Repsol YPF operates nine refineries throughout the world, placing them among the top 10 companies in the world for refining capacity.

Repsol YPF refineries have a total installed capacity of 1.1 million barrels per day. In addition to the nine refineries which it operates, Repsol YPF has an interest in another refinery in Argentina and two more in Brazil. If we take these refineries into account, the total refining capacity of Repsol YPF is 1.23 million barrels per day.






Repsol YPF's production share is above 50% in Peru, Argentina and Spain.

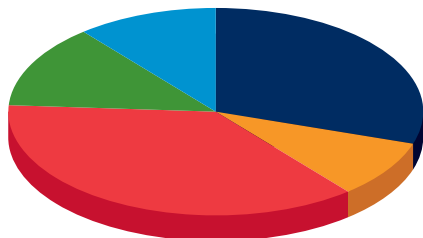
Investments to respond to an increased demand

A little more than a year ago, in the second half of 2005, Repsol YPF announced its intention to accelerate its investment plan.

Repsol YPF investment plan has as objective to increase the conversion capacity of its refining plants and to adapt its product range to the strong increase in the demand for products such as gas oil and aviation fuel.

Access to oil reserves

-  Concessions: 30%
-  Iraq: 9%
-  National companies: 37%
-  Limited access. Dominated by national companies: 13%
-  Shared production: 11%



Source: International Energy Agency OECD 2006.



This investment effort is added to investments made in previous years in order to adapt all of its refineries to new product specifications.

In the second quarter of the year a desulphurisation unit for medium distillates began work at the Petronor refinery, anticipating new fuel specifications by two and a half years.

Repsol YPF has an ambitious investment plan under way for its refineries in Spain which totals some 3,870 million euros up to 2010. With this investment programme Repsol YPF will increase its refining capacity in the Spain by 20%, reaching a distillation level of 890,000 barrels per day; the average conversion level will be increased by 50% and safety, environment and energy efficiency of installations will be considerably improved. The investments planned for the refineries at Cartagena and Petronor make up 70% of the total investment.

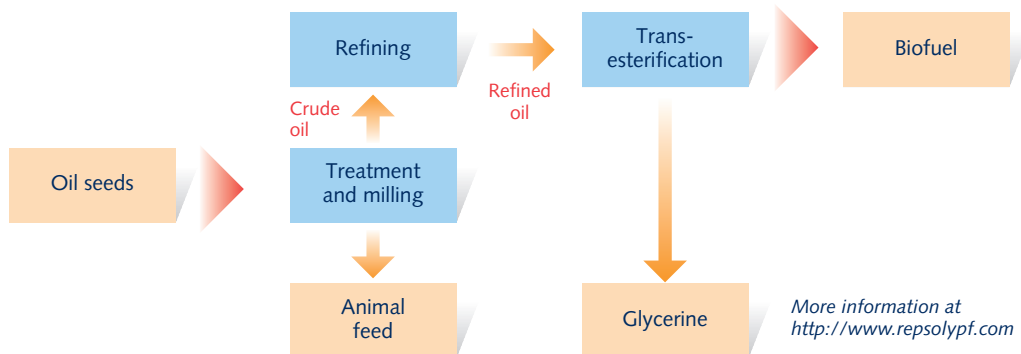
The investment plan will also enable the production of 10 ppm (parts per million) sulphur fuels in all complexes before 1st January 2009 and will contribute towards meeting the European Union objectives and the National Renewable Energies Plan for the development of bio-fuels.

Technological capacity for developing new processes and products and exploring new energies

Both the European Community Directive and Spain's Renewable Energy Plan include scenarios for the year 2010, whereby ambitious targets have been set to include biofuels in the supply of energy resources for the automotive sector.

3.870 million euros
in Spanish refineries
investment until 2010

Process of biofuel production



Repsol YPF is leader in biofuels development

For years, Repsol YPF has been committed to the use of biofuels as an essential form to help alleviate the consequences of climatic change and, at the same time, reduce Spain's energy dependence. Since 2000, the year when Repsol YPF decided to adapt its MTBE (methyl tert-butyl ether) production installations, the company has been using bioethanol as a substitute for the methanol that was used previously. The ETBE (ethyl tertiary butyl ether) obtained is incorporated into fuel formulas, which in turn combines the most stringent quality standards with the use of renewable fuels.

By adding ETBE, Repsol YPF uses around 140,000 tonnes a year of bioethanol, making it the European leader in the use of bioethanol in fuel formulas.

Once the ETBE has been exhausted, limited by the availability of olefinic butane in its refineries, Repsol YPF is promoting the use of biodiesel in the manufacture of gas oil as the most suitable means for implementing the Community Directive concerning the use of biofuels. As well as its positive effect on the environment, the use of biofuels will contribute to reducing the European deficit of medium distillates, which in Spain exceeds fourteen million tonnes a year.

In this area, the company is heavily involved in the development of biofuel plants in the region of its refineries, which, using first-use vegetable oils as raw materials, will produce over a million tonnes of biodiesel a year.

In the line of research about biofuels, and within the PiIIBE investigation project, Repsol YPF aims to increase the availability of local raw materials for the production of biofuel and reduce its production costs, thus facilitating its introduction into the market. In this way it will help to fulfil the targets proposed in Spain and Europe for the use of fuels derived from renewable sources, thus reducing the effect on climate change.

On the other hand, as acknowledgement of its work and leadership in biofuels, since June 2006 Repsol YPF has been presiding on the European Biofuel Technology Platform, which will define the European Union strategy and objectives in terms of R+D and biofuels.

It is estimated that in 2009 the Group's refineries will be 6.5% more energy efficient and surpassing the 11.5% achieved in the last ten years, thus further reducing greenhouse gas (GHG) emissions. It is expected that 50 million euros will be allocated to this project, on top of the 90 million euros being devoted to other specific actions to reduce environmental impact.

Repsol YPF aspires to be the reference company in biofuel development.

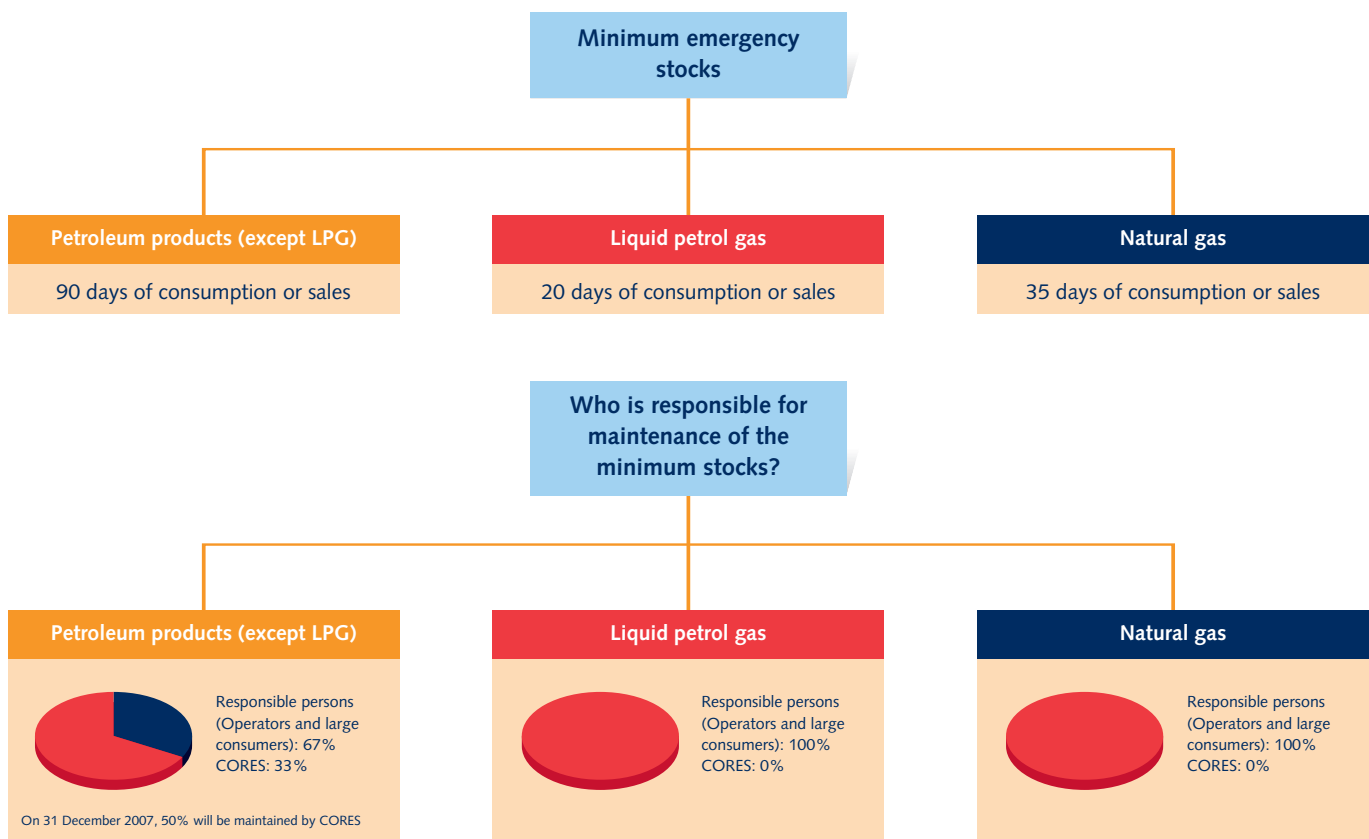
To collaborate with government authorities to provide guarantees to possible interruptions in supply

In accordance with that set out by the International Energy Agency, which has been responsible since 1974 for coordinating the policies of the OECD countries in case of interruption of supplies, Spanish legislation establishes minimum emergency stocks, the equivalent to 90 days of consumption or sales of fuel, kerosene, diesel oils and gas oils. A third of these emergency stocks is

known as the strategic reserve or, in other words, 30 days of consumption or sales of each of the aforementioned fuels. CORES (*Corporación de Reservas Estratégicas de Productos Petrolíferos*) is responsible for the setting up and maintenance of these reserves.

Repsol YPF, as the leading operator in petroleum products, helps to maintain the emergency reserves.

Requirement to maintain minimum emergency stocks in Spain



From 1 July 2006 there will be a change in the responsibilities of CORES: 31 days of petrol, 33 days of medium distillates and 30 days of gas oils.



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Independent Experts Committee

Repsol YPF has requested the collaboration of an Independent Experts Committee to encourage transparency of the information disclosed in Corporate Responsibility Report

Repsol YPF, in line with its transparency commitment, wanted to come near its stakeholders in order to better understand their expectations. As such, it has solicited the collaboration of an Experts Independent Committee (EIC), to drive the transparency of this report's divulged information and assure the response, an to what degree, is addressing the uncertainties, with the elaboration of a report with greater value added for all, as the end result. At the same time, with this collaboration, the intent is to strengthen the interested parties' interaction channels.

EIC has valued the responses to the different questions posed. The report's complete text is published in the final section of this report.

The answers to EIC's questions are identified in the report in accordance with Annex III (Responses to the Experts Independent Committee).



Independent Experts Committee

Conclusions Report

Chairman

Jesús Lizcano Álvarez

International Transparency Spain
and Professor of the Universidad Autónoma de Madrid

Experts

Juan Carlos del Olmo Castillejo

WWF Adena

María González de Asís

World Bank (WBI)

Beatriz Fernández Olit

Fundación Economistas sin Fronteras

Eva Ramos Pérez-Torreblanca

Fundación Ecología y Desarrollo

Repsol YPF has requested us, with a purpose of knowing if, in the opinion of the people that compose this Committee if the 2006 Corporate Responsibility Report contains the appropriate information on matters of more relevance for its stakeholders and other social agents. Moreover, in what measure does it reflect an understanding of, and has answered their expectations.

Parallely, for this reason, and abiding our own criteria the following questions have been sent to the Company Management.

Questions formulated by Repsol YPF Executive Committee

1. On January 26, 2006, Repsol YPF announced 25% reserves reduction, which represented a downward estimated revision of 1.254 millions Bep in its proven reserves and 50 million euros in asset valuation. Which measures did the management team of Repsol YPF adopt to reinforce reserves registry procedures and avoid the repetition of similar mistakes?
2. How has incorporated Repsol YPF in its business strategy the need to mitigate climate change impact from its activities? Which is its investment volume in investigation and development of alternative sources fuels besides those of fossil origin? Which is its turnover resulting from alternative fuels to those of fossil origin?
3. Which methodology and quantitative procedures are used for the consolidation or aggregation of corporation's individual information, business policies, etc., in order to elaborate the global information that is published, both regarding environmental indicators, gathered in the Environmental Parameters Guide of the organization, as well as Safety Indicators, gathered in Data and Safety Indicators Guide of the own company?
4. Information provided in Repsol YPF CSR report 2005 in page 38, shows a global objective for 2012 of 1 million tons reduction of CO₂eq. Which amount of this reduction is due to European Directive on Trade Emissions? What global assessed obligations or objectives per year does Repsol YPF have for greenhouse gas emission decrease regarding commitments established in Kyoto? Have they accomplished these objectives in 2006?
5. Considering the report, it is not clear if Repsol YPF and its contractor companies use in other countries the same parameters and standards obliged by European and Spanish environmental legislation. Is Repsol YPF using the same environmental and social criteria in its operations abroad than in its origin country or they apply those of the countries in which they operate although they are less demanding?
6. Taking into account that one of Repsol YPF's main impacts is the environmental one, what percentage of the resources allocated to Repsol YPF or its foundations projects is assigned to environmental conservation and defence? Which amount does it involve from the foundation's total budget? What amount does it foresee to invest during the next years?
7. To what extent has the CSR 2006 Index been prepared according to Global Reporting Initiative (GRI) 2006, and have incorporated changes contained in G3 version regarding GRI 2002 Guide?; and in similar terms, what new social, environmental and safety indicators have been incorporated in 2006 CSR Report? Which new areas have been covered, and what proportion do the new indicators represent regarding the existing ones in 2005 Report?
8. Is a comparative or/and benchmarking process carried out regarding information and indicators elaborated by Repsol YPF according to GRI Guide in relation to other companies from the same sector, either national or international wide, or regarding some companies from other sectors or/and countries? Is a comparative analysis carried out among the own Group or participated companies by Repsol YPF? If so, is this information sent to the own participated companies?
9. Which hierarchical position does the CSR manager and the environment manager occupy in Repsol YPF? Which/how many managers and resources at their charge?

10. What information, communication and, in short, transparency systems exist in Repsol YPF in order for employees and other persons or workers related to the functioning and the activities of Repsol YPF, can notify or communicate fast and spontaneously non-compliance of social, environmental or safety regulation in the own company?
11. Regarding Repsol YPF Human Rights management, are there specific documents that explain both policy and management system of Human Rights? How do they assure contractor and supplier fulfilment? Who are responsible for Human Rights management and what complaint/claim channels have been enabled? Which are the evaluations results if they have been carried out?
12. Regarding community co-operation projects, do they follow any lines or strategic plan? What percentage of these projects is developed in the concrete regions where the company has installations? Which international organizations (for example PNUD) participate or contrast the projects, particularly those originated in developing countries and/or with indigenous communities? Are there available measurements of the social/environmental impact obtained?
13. Regarding health and work safety procedures described in pages 43 and 44, they indicate that approximately one third of the staff received health, safety and environmental training, as well as risks analysis training, but can the number and percentage of employees who have received the above mentioned training be broken down regarding the subject matter (environment/ safety /training), country, operative areas and contractual relation type (permanent and temporary)? What training intensity of employees in these fields is imposed to contractors?
14. What measures has adopted Repsol YPF's management team to ensure biodiversity protection in protected or high risk regions in which it operates? And to assure control of other environmental impacts of their activities?
15. Which have been main environmental decontamination and restoration projects undertaken by Repsol YPF after last year's spill incidents and which are yet to fulfil about the spillage occurred in the last five year? How many hectares have been recovered and what recovery indexes do they show?

After having considered the answers given to our questions by the Repsol YPF Group and studied the content of the public information of this company, below you will find our opinion of the way the previously referred topics are dealt with as a response to the questions. Not in any case does this opinion form part of an external verification process of the Report, which was carried out by an independent external verifier.

Conclusions

When evaluating the situation and activities in the social and environmental area of an entity such as the Repsol group, it should be taken into consideration that a multinational company that operates in an important number of countries, in which it develops varied types of operations (purchasing, sales, investments, etc.), the difficulties it faces to operate in an optimally in all countries and activities.

In any event, the function of this Committee is to evaluate the diverse aspects of social, ethical, environmental and labour character of this entity with more relevance for its stakeholders and other social agents and, its dealing with the 2006 Corporate Responsibility Report, with a spirit to demonstrate the positive aspects, and in part, the inconveniences, inadequacies or questions that are improvable of the situation and activities of this managerial Group in its area of responsibility. For this reason, this Committee wishes to make the following comments:

Of the answers and informative contents analyzed in reference to the previous fifteen questions, we must distinguish three groups or levels of adaptation for the answers required by this Committee:

Partly, there is a group of questions that have been responded in an appropriate and coherent way, revealing top-level answers, as in the related and complementary information. Those are the following 9 questions: Numbers 1, 3, 5, 7, 9, 10, 12, 13, and 14. In any event, and in spite of the level of quality or adaptation, the Committee members feel it is fitting to carry out some specific indications on two of these.

In that relative to question 12, in respect to cooperation projects, a greater level of information is recommended on the possible existence of concrete strategic lines in this area, as well as the corresponding priorities that have been settled in this respect. As for question 13, a greater data breakdown is recommended as in type of employees' labour contract/relation.

On the other hand, there exists a second group of questions which the answers and/or added information has, in our opinion, a less precise level, and to such effect we have formulated some recommendations. Questions 4 and 8.

In the case of question 4, it is recommended that of the information disclosed a more precise explanation should be included on the possible existence or not of the annual objectives for reducing gas emissions, and in what dimension this is possible. In that relative to question 8, although, in the first part it has been answered in a very detailed way, not enough information is provided. On the other hand, there is no information on that related to participating companies

and the group, it is very recommendable that this type of information is included.

Finally, there is a third group of questions of which answers and/or information contributed is, in our opinion, insufficient, for the following reasons: To questions 2, 6, 11 and 15.

Although question 2 values positively information relevant to Company policies and orientations, information regarding comparative data contrasting the turnover of alternative fuels in respect to fossil fuels is insufficient. On the other hand, in question 6, the information provided could be improved in that relative to social expenses for environmental protection.

In question 11, the Committee considers that although this contains information on company policy, there is not sufficient information on the human rights management, except in the case of employee training; it is also recommended, to indicate the existence of concrete strategies or evaluations. On the other hand, it is recommended that the company include in its RSC Report more detailed information on litigations that have existed in connection with human rights, even though this data may have been included in other issued Reports.

Finally, in that related to question 15, although the company appropriately describes the systems and applicable internal protocols in the event of contamination, as well as added varied data of interest, it should enlarge the level of information on basic data (names and locations) of the main decontamination projects; also, the information offered is clearly concentrated on the supposed cases of Argentina and Spain, and does not singling out other regions with important exploration production activities, although the relative importance in these countries is not on a large scale, a future amplification of the geographical spectrum is recommended on referred information for these matters.

Apart from opinions, inadequacies and indicated recommendations this Committee positively values of a multinational company such as that valued, and is the fact that it is clearly exposed to risk in numerous analyzed aspects, it has demonstrated good will in being the objective of a detailed and critical examination, in many cases with very demanding questions, on behalf of a Committee of independent experts such as ours, integrated by members from non-profit entities, or of an academic or supranational character that in some way or other represent society, and working more every day as an instrument of surveillance and guarantee for the compliance of ethics, social and environmental regulations on behalf of all companies. In addition, we understand that this informative opening demonstrated by some companies serves as a reference to other companies for achieving a greater socioeconomic transparency that is demanded by a modern society such as ours.

And for it his Chairman signs on March 23, 2007

(signed)

Jesús Lizcano Alvarez

Verification report



KPMG Asesores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Verification Report

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

To the readers of this Report

Introduction

We have been engaged by REPSOL YPF to review the information on environmental, safety, and social practices included in its 2006 Corporate Responsibility Report (hereinafter the Report). Preparation of the Report, including identification of material issues, is the responsibility of REPSOL YPF Management.

Scope

In the Report, REPSOL YPF describes the efforts and progress it has made towards a more sustainable development. Our responsibility has been to review the Report, assure appropriate application of both the AA 1000 Assurance Standard (AA1000 AS) and the Global Reporting Initiative Version 3 (GRI G3) Guidelines based on REPSOL YPF's level of self-declaration, and offer readers a level of assurance according to the ISAE 3000 (International Standard for Assurance Engagements) standard:

- Reasonable for indicators marked with the "☑" symbol in Annex 1 (GRI Index) for which sufficient evidence has been obtained to reduce the risk of a material error to an acceptable level.
- Limited:
 - for indicators marked with the "⊖" symbol in Annex 1 (GRI Index).
 - for the information with which Repsol YPF gives answer to the questions asked by the Independent Experts Committee, identified in the Report as indicated in Annex 3 (Response to the Independent Experts Committee).
 - in relation to the application of the AA1000 AS standard and the GRI G3 Guidelines as per the company's self-declaration (A+ level of application) undertaken by REPSOL YPF, as indicated in the chapter entitled "About this report".

The level of risk corresponding to the three previous points is higher than that of the reasonable level of assurance due to the more limited nature and scope of the procedures we have undertaken to obtain evidence.

The revision of the above-mentioned information has not included the verification of quantitative data corresponding to the case studies included in the Report.

Review criteria

Our work has been carried out in accordance with the ISAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). Among other requirements, this standard establishes the following:

- The engagement team should possess specific professional knowledge and skills necessary to understand and review the information included in the Report, and its members meet the requirements established in the IFAC Code of Ethics for Professional Accountants to ensure their independence.
- When providing limited assurance on the information, which is a lower level than reasonable assurance, a conclusion limited to the work undertaken is used.

2

In our revision, the AA1000 AS and GRI G3 Guidelines principles and criteria have been followed, as it is these that REPSOL YPF has applied in the preparation of its Report and whose understanding and application is described in the chapter entitled, "About this report".

Work performed***a) Quantitative information with reasonable level of assurance***

We have reviewed the quantitative data marked with the "☒" symbol in Annex 1 (GRI Index) of the Report as described in the scope, basing our review on the following activities:

- Interviews with personnel responsible for the systems providing information included in the Report.
- Review of the systems used to generate, aggregate, and facilitate the data.
- Analysis of the information included in the Report.
- Review by sampling of the calculations carried out at corporate level and their consistency.
- Review of data generated at 10 sites visited, which represent the company's activities and its geographical field of operation by sampling.

b) Information with limited level of assurance

We have reviewed the information marked with the "☒" symbol in Annex 1 (GRI Index) of the Report, as well as the information with which Repsol YPF gives answer to the questions asked by the Independent Experts Committee identified in the Report as indicated in Annex 3 (Response to the Independent Experts Committee), as described in the scope, basing our review on the following activities:

- Interviews with personnel responsible for providing the information included in the Report.
- Revision that such information included in the Report is adequately supported by internal or third party documentation.

c) Limited review of the alignment of criteria and principles for defining the contents of the Report and its scope based on GRI G3 Guidelines and AA1000 AS

Documentation of the criteria and procedures used to define the contents of the Report has been reviewed in accordance to the described scope.

The criteria for presentation of the aforementioned information in terms of scope, including possible scope limitations, significance, and data integration and aggregation methods based on REPSOL YPF's interests in the different Group companies, are described in general in the appendix, "About this Report," and specifically in the different subchapters on the presentation of environmental, safety, and social related information.

Conclusions

Based on the work described above, the indicators verified with a reasonable level of assurance can be considered to be reliable and representative of their activities. For indicators and information verified with a limited level of assurance, we have not observed circumstances indicating that the data included has not been obtained by reliable means, or that the information is not fairly stated. We have also not identified any significant omissions or differences in the information reviewed.

KPMG ASESORES, S.L.

(Signed)

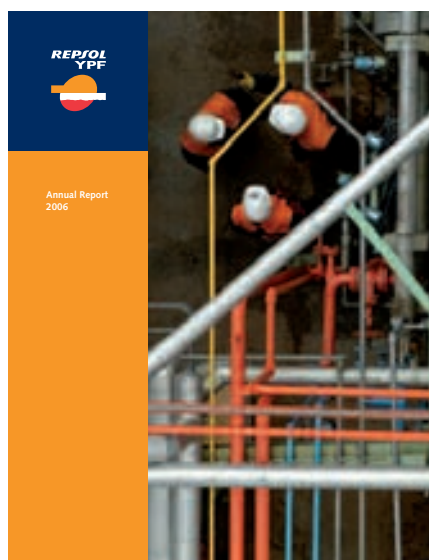
Julián Martín Blasco

10 April 2007

More information about Repsol YPF's performance

More information about the company's actions in 2006 can be found in the various reports that are available on repsolypf.com and via the publications request service:

Annual Report 2006



Annual Corporate Governance Report 2006



2006 Shareholders Magazine



Also, the information on www.repsolypf.com completes and adds to that which is disclosed in this report. In the section titled Corporate Responsibility you will find additional information about the aspects and case studies dealt with in this report.

Fact Book 2006



20-F Report



http://www.repsolypf.com/es_es/todo_sobre_repsol_ypf/responsabilidad_corporativa/

Annex I. GRI Index

Repsol YPF continues to work on progressively improving corporate responsibility information. Principles and indicators specified in the G3 Guide, the new Global Reporting Initiative guidelines, have been included in this 2006 Corporate Responsibility Report.

Keys to read this index

The column **SECTION/INDICATOR** is a list of contents specified by GRI to be included in corporate responsibility reports. It includes core indicators and some additional indicators, which are identified with an asterisk (*).

The column **APPLICATION** specifies the degree of correspondence between the GRI definition and the information provided by Repsol YPF. Complete match is identified with the symbol ●; a partial match is identified as ◐ and a complete non-match as ○.

The column **PAGE** indicates where to find the information addressing the indicator in this Report, the 2006 Annual Report (A.R. page no.) and the 2006 Annual Report on Corporate Governance (C.G.R. page no.).

Column **VERIFICATION** identifies the indicators subject to an external verification process by means of the following symbols: ☑ for indicators verified with a reasonable level of assurance and ☐ for indicators verified with a limited level of assurance, according to the assurance criteria as stated in the verification report (see page 170). Additionally a C, for quantitative, or a Q, for qualitative, is added to the data from indicators verified reasonably on the basis of the type of verification carried out.

The column **NEW GRI3 INDICATORS** shows those indicators that appear in the GRI G3 guide and that have not been present in the previous guides.

The column **NEW GRI2002 INDICATORS** shows those existing indicators in the previous GRI guide of which Repsol YPF reports for the first time.

Also in this Report issues that previously Repsol YPF did not discuss neither they are not gathered by the new indicators of the guide G3, has been discussed. Among others, OCED (Organization for the Cooperation and the Economic Development) Guidelines for Multinational Businesses in Repsol YPF policies and principles; the application of principles for the determination of the report content and for the assurance of its quality; the new Health, Safety and Environment Policy; the review of the vetting norm applicable to ships that transport cargo property of Repsol YPF or that operate in terminals managed by the company; relations with indigenous communities; the new Corporate Safety Policy; the use of public for the protection of facilities of the company; company policies with regard to the EITI; the Commitment to community programme 2007-2009; the biodiversity working plan for the next years.

Also, in the "Repsol YPF's approach to corporate responsibility" section of this Report, channels of communication have been facilitated to stakeholders, in order to his/her opinions and suggestion related to information included in this report and to take part in the elaboration of the next report.

A reference between the Ten Principles of the United Nations Global Compact and the indicators of the Guide G3 of GRI has been included as a novelty. To determine this relation, the guide "Making the connection", available on the GRI website (<http://www.globalreporting.org/ReportingFramework/CRAAlliance/>) has been used. This guide tries to join efforts of GRI and of Global Compact in order to elaborate the communication on progress (COP) reports using the G3 guide. More information about this relation can be found in the Annex II "UN Global Compact's Communication on Progress".

Finally, in the Annex III "Response to the Independent Experts Committee", the page(s) where the information of the responses that were facilitated to the Independent Experts Committee during the elaboration of this report can be found.

Section	Application	Verification	Page	New GRI3 Indicators	New GRI2002 Indicators
STRATEGY AND ANALYSIS					
1.1	Statement from the most senior decisionmaker of the organization about the relevance of sustainability to the organization and its strategy.		2-3		
1.2	Description of key impacts, risks, and opportunities.		16-18, 34-37		
ORGANIZATIONAL PROFILE					
2.1	Name of the organization.		Front cover		
2.2	Primary brands, products, and/or services.		19, 34-37		
2.3	Operational structure of the organization.		12-15		
2.4	Location of the organization's headquarters.		Back cover		
2.5	Number of countries where the organization operates, and names of countries with either major operations.		36-37		
2.6	Nature of ownership and legal form.		C.G.R.. 2-34		
2.7	Markets served.		34-37		
2.8	Scale of the reporting organization (employees, net sales, total capitalization, etc.).		34-37, 42-47, 102-103		
2.9	Significant changes during the reporting period regarding size, structure, or ownership.		38-39		
2.10	Awards received in the reporting period.		31, 38-39		
REPORT PARAMETERS					
Report Profile					
3.1	Reporting period.		20		
3.2	Date of most recent previous report.		May 2005		
3.3	Reporting cycle (e.g. annual, biennial).		20		
3.4	Contact point for questions regarding the report or its contents.		29		

Section	Application	Verification	Page	New GRI3 Indicators	New GRI2002 Indicators
Report scope and boundary					
3.5	Process for defining report content, (determining materiality, prioritizing topics, identifying stakeholders).		20-29		
3.6	Boundary of the report.		20-29		
3.7	State any specific limitations on the scope or boundary of the report.		20-29		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.		20-29		
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.		20-29		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.		20-29		
3.11	Signifi cant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		20-29		
GRI content index					
3.12	Table identifying the location of the Standard Disclosures in the report.			Annex I, II and III	
Assurance					
3.13	Policy and current practice with regard to seeking external assurance for the report.			Verification letter	
GOVERNANCE, COMMITMENTS, AND ENGAGEMENT					
Governance					
4.1	Governance structure of the organization.		12-15		
4.2	Indicate whether the Chair of the highest governance body is also an executive officer		13		
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.		12		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		9		
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance			C.G.R. 13-16	
4.6	Processes in place for the highest governance body to ensure confl icts of interest are avoided.		6, 8, 12-15		

Section	Application	Verification	Page	New GRI3 Indicators	New GRI2002 Indicators
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.		12, 14-15		
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.		6, 8, 16-18, 56, 58		
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		6, 8, 16-18, 56, 58		
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		12-15		
Commitments to external initiatives					
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.		20-29		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.		16-18, 48-55, 82-99, 118-137, 138-147		
4.13	Memberships in associations and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> - Has positions in governance bodies. - Participates in projects or committees. - Provides substantive funding beyond routine membership dues. - Views membership as strategic. 		16-18, 136-147		
Stakeholder engagement					
4.14	List of stakeholder groups engaged by the organization.		8-9		
4.15	Basis for identification and selection of stakeholders with whom to engage.		8-9		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		8-9, 166-169		
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.		146-147, 166-169		

Section	Application	Verification	Page	New GRI3 Indicators	New GRI2002 Indicators
ECONOMIC					
Disclosure on Management Approach			19, 31-37, 42-47		
Economic performance					
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	42-47	■	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	137	■	
EC3	Coverage of the organization's defined benefit plan obligations.	●	45, 68-71	■	
EC4	Significant financial assistance received from government. <i>During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2007 Report.</i>	○		■	
Market presence					
EC5*	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	●	70	■	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	●	46-47	■	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation. <i>During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2007 Report.</i>	○		■	
Indirect economic impacts					
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	82-87	■	

Section	Application	Verification	Page	New GRI3 Indicators	New GRI2002 Indicators
ENVIRONMENTAL					
Disclosure on Management Approach			13-14, 18, 31, 48-52, 54, 118-137, 138-147		
Materials					
EN1	Materials used by weight or volume.	●	34-37, 51, 160, 162		
EN2	Percentage of materials used that are recycled input materials. <i>During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2007 Report.</i>	○		■	
Energy					
EN3	Direct energy consumption by primary energy source.	●	55	■	
EN4	Indirect energy consumption by primary source. <i>During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2007 Report.</i>	○		■	
EN5*	Energy saved due to conservation and efficiency improvements.	●	48-55, 118-137, 148-155, 156-163	■	
EN6*	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	◐	48-55, 118-137, 148-155, 156-163	■	
Water					
EN8	Total water withdrawal by source.	●	126-127	■	
EN9*	Water sources significantly affected by withdrawal of water.	●	126-127	■	
EN10*	Percentage and total volume of water recycled and reused.	●	126-127	■	
Biodiversity					
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	●	141-142 ⁽¹⁾	■	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	◐	138-147	■	

(1) <http://www.repsolypf.com>>Corporate responsibility>Safety and environment>Biodiversity

Section	Application	Verification	Page	New GRI3 Indicators	New GRI2002 Indicators
EN13* Habitats protected or restored.	●		138-147	■	■
EN14* Strategies, current actions, and future plans for managing impacts on biodiversity.	●		138-147	■	
Emissions, effluents and waste					
EN16 Total direct and indirect greenhouse gas emissions by weight.	●	☑ ^c	52-55	■	
EN17 Other relevant indirect greenhouse gas emissions by weight.	●	☑ ^c	55	■	
EN18* Initiatives to reduce greenhouse gas emissions and reductions achieved.	●		48-55	■	
EN19 Emissions of ozone-depleting substances by weight. <i>During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2007 Report.</i>	○				
EN20 NO, SO, and other significant air emissions by type and weight.	●	☑ ^c	122-125	■	
EN21 Total water discharge by quality and destination.	●	☑ ^c	127-128	■	
EN22 Total weight of waste by type and disposal method.	●	☑ ^c	129-130	■	
EN23 Total number and volume of significant spills.	●	☑ ^c	132-133	■	
Products and services					
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●		48-55, 118-137, 138-147, 148-155, 156-163	■	
EN27 Percentage of products sold and their packaging materials that are reclaimed by category. <i>During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2007 Report.</i>	○				
Compliance					
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●		A.R. 117, 135-139, 146-148		

Section	Application	Verification	Page	New GRI3 Indicators	New GRI2002 Indicators
Transport					
EN29* Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	●		52-55, 122-135		
General					
EN30* Total environmental protection expenditures and investments by type.	●	☑ ^c	136-137		
SOCIAL					
1 Labour practices and work ethics					
Disclosure on Management Approach			6, 18, 31, 56-67, 68-81, 100-112		
Employment					
LA1 Total workforce by employment type, employment contract, and region.	●	☑ ^c	68, 102	■	
LA2 Total number and rate of employee turnover by age group, gender, and region.	●	☑ ^c	36-37, 72	■	
LA3* Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	☐	68-71	■	
Labor/Management relations					
LA4 Percentage of employees covered by collective bargaining agreements.	●	☑ ^c	75	■	
LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	●	☐	Framework Agreement, 74-75	■	
Occupational health and safety					
LA6* Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	◐	☐	59	■	
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	◐	☑ ^c	66-67	■	
LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	◐		58-61	■	
LA9* Health and safety topics covered in formal agreements with trade unions.	●	☑ ^o	59	■	

Section	Application	Verification	Page	New GRI3 Indicators	New GRI2002 Indicators
Training and education					
LA10	Average hours of training per year per employee by employee category.	●	☑ ^c	59, 114-115, 121	■
LA11*	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●		71	■
LA12*	Percentage of employees receiving regular performance and career development reviews.	●		105-106	■
Diversity and equal opportunity					
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	●	☑ ^c	72	■
LA14	Ratio of basic salary of men to women by employee category.	●	☑ ^c	70	■
2 Human Rights					
Disclosure on Management Approach				18, 68, 75-78, 100-102	
Investment and procurement practices					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. <i>During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2007 Report.</i>	○			
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	◐	☰	80	■
HR3*	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	◐		77-78	■
Non-discrimination					
HR4	Total number of incidents of discrimination and actions taken.	●	☰	68, 72	■
Freedom of association and collective bargaining					
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	●	☑ ^o	74-75	
Child labor					
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	●	☰	75-77	■

Section	Application	Verification	Page	New GRI3 Indicators	New GRI2002 Indicators
Forced and compulsory labour					
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	●	☰	75-77	■
Security practices					
HR8*	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	●		77-78	■
Indigenous rights					
HR9*	Total number of incidents of violations involving rights of indigenous people and actions taken.	●		77	■
3 Society					
Disclosure on Management Approach			14-18, 82-87		
Community					
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	●	☑ ^c	82-87	■
Corruption					
SO2	Percentage and total number of business units analyzed for risks related to corruption.	●	☰	84	■
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures. <i>During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2007 Report.</i>	○			■
SO4	Actions taken in response to incidents of corruption.	●	☑ ^a	14-18	■
Public policy					
SO5	Public policy positions and participation in public policy development and lobbying. <i>During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2007 Report.</i>	○			■
SO6*	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	●	☑ ^a	Forbid CEC ⁽²⁾	

(2) CEC: Code of Ethics and Conduct for Repsol YPF employees available in <http://www.repsoly pf.com>Corporate responsibility>Ethics and transparency>

Section	Application	Verification	Page	New GRI3 Indicators	New GRI2002 Indicators
Anti-competitive behaviour					
Compliance					
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	A.R. 117, 135-139	■	
4 Product responsibility					
Disclosure on Management Approach			150-151, 156-160		
Customer health and safety					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	●	☑ ^q	63-64	■
Products and service labelling					
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	●	☑ ^q	63-64	■
Marketing communications					
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. <i>During the elaboration of this report Repsol YPF did not have access to enough information regarding this indicator. However, in future materiality reports the company will assess the possibility of including it in the 2007 Report.</i>	○			■
Customer privacy					
Compliance					
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●	A.R. 117, 135-139	■	

Annex II.

UN Global Compact's Communication on Progress

	Directly relevant GRI indicators	Indirectly relevant GRI indicators
PRINCIPLE 1 Businesses should support and respect the protection of internationally proclaimed human rights	HR2-9	LA4, LA13, LA14 ; SO1
PRINCIPLE 2 Businesses should make sure that they are not complicit in human rights abuses.	HR2, HR8	
PRINCIPLE 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5, LA4, LA5	
PRINCIPLE 4 Businesses should uphold the elimination of all forms of forced and compulsory labour	HR7	HR2-3
PRINCIPLE 5 Business should uphold the effective abolition of child labour.	HR6	HR2-3
PRINCIPLE 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.	HR4, LA2, LA13, LA14	HR2, EC5, LA3
PRINCIPLE 7 Businesses should support a precautionary approach to environmental challenges.	4.11	EC2
PRINCIPLE 8 Businesses should undertake initiatives to promote greater environmental responsibility.	EN 5-6, EN10, EN13-14, EN18, EN 21-22, EN 26, EN30	EC2;EN1,EN3, EN8-9, EN11-12, EN15-17, EN19-20, EN23, EN28-29; PR3
PRINCIPLE 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN5-6, EN10, EN18, EN26-27	
PRINCIPLE 10 Businesses should work against corruption in all its forms, including extortion and bribery.	SO2-SO4	SO6

Annex III.

Response to the Independent Experts Committee

The following index makes reference to the pages where, among other information, are the responses provided to the Independent Experts Committee.

More information in the 2006 Corporate Responsibility Report in <http://www.repsolypf.com>>Corporate responsibility.

	Page
QUESTION 1	
On January 26, 2006, Repsol YPF announced 25% reserves reduction, which represented a downward estimated revision of 1,254 millions Bep in its proven reserves and 50 million euros in asset valuation. Which measures did the management team of Repsol YPF adopt to reinforce reserves registry procedures and avoid the repetition of similar mistakes?	159
QUESTION 2	
How has incorporated Repsol YPF in its business strategy the need to mitigate climate change impact from its activities? Which is its investment volume in investigation and development of alternative sources fuels besides those of fossil origin? Which is its turnover resulting from alternative fuels to those of fossil origin?	51
QUESTION 3	
Which methodology and quantitative procedures are used for the consolidation or aggregation of corporation's individual information, business policies, etc., in order to elaborate the global information that is published, both regarding environmental indicators, gathered in the Environmental Parameters Guide of the organization, as well as Safety Indicators, gathered in Data and Safety Indicators Guide of the own company?	28-29, 66, 118
QUESTION 4	
Information provided in Repsol YPF CSR report 2005 in page 38, shows a global objective for 2012 of 1 million tons reduction of CO ₂ eq. Which amount of this reduction is due to European Directive on Trade Emissions? What global assessed obligations or objectives per year does Repsol YPF have for greenhouse gas emission decrease regarding commitments established in Kyoto? Have they accomplished these objectives in 2006?	51, 54
QUESTION 5	
Considering the report, it is not clear if Repsol YPF and its contractor companies use in other countries the same parameters and standards obliged by European and Spanish environmental legislation. Is Repsol YPF using the same environmental and social criteria in its operations abroad than in its origin country or they apply those of the countries in which they operate although they are less demanding?	61, 68, 120

	Page
<p>QUESTION 6</p> <p>Taking into account that one of Repsol YPF's main impacts is the environmental one, what percentage of the resources allocated to Repsol YPF or its foundations projects is assigned to environmental conservation and defence? Which amount does it involve from the foundation's total budget? What amount does it foresee to invest during the next years?</p>	86, 137
<p>QUESTION 7</p> <p>To what extent has the CSR 2006 Index been prepared according to Global Reporting Initiative (GRI) 2006, and have incorporated changes contained in G3 version regarding GRI 2002 Guide?; and in similar terms, what new social, environmental and safety indicators have been incorporated in 2006 CSR Report? Which new areas have been covered, and what proportion do the new indicators represent regarding the existing ones in 2005 Report?</p>	Annex I (GRI Index)
<p>QUESTION 8</p> <p>Is a comparative or/and benchmarking process carried out regarding information and indicators elaborated by Repsol YPF according to GRI Guide in relation to other companies from the same sector, either national or international wide, or regarding some companies from other sectors or/and countries? Is a comparative analysis carried out among the own Group or participated companies by Repsol YPF? If so, is this information sent to the own participated companies?</p>	25
<p>QUESTION 9</p> <p>Which hierarchical position does the CSR manager and the environment manager occupy in Repsol YPF? Which/how many managers and resources at their charge?</p>	13-14
<p>QUESTION 10</p> <p>What information, communication and, in short, transparency systems exist in Repsol YPF in order for employees and other persons or workers related to the functioning and the activities of Repsol YPF, can notify or communicate fast and spontaneously non-compliance of social, environmental or safety regulation in the own company?</p>	79
<p>QUESTION 11</p> <p>Regarding Repsol YPF Human Rights management, are there specific documents that explain both policy and management system of Human Rights? How do they assure contractor and supplier fulfilment? Who are responsible for Human Rights management and what complaint/claim channels have been enabled? Which are the evaluations results if they have been carried out?</p>	75-76, 80-81
<p>QUESTION 12</p> <p>Regarding community co-operation projects, do they follow any lines or strategic plan? What percentage of these projects is developed in the concrete regions where the company has installations? Which international organizations (for example PNUD) participate or contrast the projects, particularly those originated in developing countries and/or with indigenous communities? Are there available measurements of the social/environmental impact obtained?</p>	84-87, 98-99

QUESTION 13

Regarding health and work safety procedures described in pages 43 and 44, they indicate that approximately one third of the staff received health, safety and environmental training, as well as risks analysis training, but can the number and percentage of employees who have received the above mentioned training be broken down regarding the subject matter (environment/ safety /training), country, operative areas and contractual relation type (permanent and temporary)? What training intensity of employees in these fields is imposed to contractors?

59, 121

QUESTION 14

What measures has adopted Repsol YPF's management team to ensure biodiversity protection in protected or high risk regions in which it operates? And to assure control of other environmental impacts of their activities?

138, 140-143

QUESTION 15

Which have been main environmental decontamination and restoration projects undertaken by Repsol YPF after last year's spill incidents and which are yet to fulfil about the spillage occurred in the last five year? How many hectares have been recovered and what recovery indexes do they show?

132-133

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