

UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS 2004 June 2005

Corporate Responsibility Report 2004

Repsol YPF has published its first Corporate Responsibility Report 2004 (CRR 2004) and this represents an important evolution of the company's corporate reporting and communication with stakeholders. Its contents include what was previously reported independently in the Environmental and Social Reports.

The chapter on *Our Guiding Principles* refers to our policies in ethics and transparency, environment and safety, commitment to our employees and the community and covers performance regarding principles 1, 2 and 10.

Chapter *Repsol YPF and People* describes Repsol YPF's performance with respect to its employees (principles 3 to 6) and the community (principles 1 and 2).

Actions relating to principles 7 to 9 are described in chapter on *Environment and Safety in Repsol YPF Activities*.

Finally, there is an Appendix on GRI indicators with the correspondence to the Global Compact Principles.

The CRR 2004 has been externally verified following ISAE 3000 standard, is GRI "in accordance" and its contents have been selected following AA1000 standard.

A. Message from the Chairman & CEO

Repsol YPF Corporate Responsibility Report 2004

Repsol YPF has adhered to the 10 principles of conduct in the areas of human rights, labour, the environment and the fight against corruption, and it forms part of the Executive Committee of the Global Compact Association in Spain (ASEPAM).

As a member of the UN Global Compact, Repsol YPF abides by its principles and actively participates in its promotion through the Spanish Global Compact Association. The company forms part of the Compact's "Square Table", which analyses the application and adaptation of the 10 principles in Spain. The UN General Secretary has cited this as a pioneering effort and an example to be followed.

Antonio Brufau Niubó
Chairman & CEO

B. Description of actions taken to implement the Global Compact Principles

Principle 1: Business should support and respect the protection of internationally proclaimed human rights

Commitment

"Repsol YPF is committed to respecting human rights, protecting the environment and cooperating in the development and welfare of the communities where it operates.

Repsol YPF undertakes to respect and uphold the human rights and public liberties recognized in the Declaration of Human Rights and the main international agreements in this matter and is committed to ensuring that the principles in these agreements guide all its policies. The cornerstone of this commitment is the respect of human dignity.

Moreover, the company will include actions involving human rights in the training programs for its employees and will encourage the use of tools that promote awareness to ensure that human rights are upheld.

Consequently, all Repsol YPF employees should support this commitment by carrying out their professional activities fully respecting and protecting human rights and public liberties". **Code of Ethics and Conduct, Repsol YPF.**

Systems

Respect and protection of human rights form part of our in-house policies and actions and is in consonance with the company's adhesion to external initiatives such as the Universal Declaration of Human Rights of 1948, the OECD Declaration on the Conduct of Multinational Enterprises in Foreign Territory and the Global Compact principles

Internal Scope:

Code of Ethics and Conduct, Policy of Respect for People and their Diversity, Guide to Community Relations, Security Requirements for Field Work, Procedures for purchasing and contracting products and services.

Corporate governance: transparency, shareholder participation, operations of the Board of Directors, independence of the external auditor

Environment and Safety Policy

Corporate Human Resources Policies.

External Scope: Universal Declaration of Human Rights, OECD Declaration on the Conduct of Multinational Enterprises in Foreign Territory UN Global Compact principles, US/UK Voluntary Principles on Security & Human Rights Declaration, Conventions of the International Labour Organization (ILO), Industry Organizations - OGP, IPIECA.

Training is part of the deployment of the Code of Ethics and Conduct; specifically elearning courses have been designed and made available gradually to employees.

Performance:

See Corporate Responsibility Report 2004: Our Guiding Principles (pages 16-18, 22-23); Environment and Safety in Repsol YPF Activities; Repsol YPF and People; GRI indicators Appendix

Repsol YPF is part of FTSE4Good Index and complies with its human rights criteria for extractive industries.

Principle 2: Business should ensure that they are not complicit in human right abuses

Commitment

See Principle 1.

Systems

See Principle 1.

Repsol YPF commitment to society (See CRR 2004, page 15) implies making the development of energy sources compatible with close and positive relations with the communities and promoting human rights in its sphere of influence.

Two internal procedures came to force in 2004, which reflect company practice two significant areas: security and community relations programs. These are Security Requirements for Field Work and the Community Relations Guide (CRR 2004, page 17, 22). The latter is applied as a

consequence of the findings of the Environmental and Social Impact Assessments that are conducted.

In addition, procedures for purchasing and contracting products and services also require suppliers to comply with company standards.

Performance: HR2, HR3 verified externally (See CRR 2004 page 113). Ethics and Conduct Regulation, Ethics and transparency principles.

Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining

Commitment

Contained in Repsol YPF Human Resources Labour Relations Corporate Policies, available to all workers in Repsol YPF's intranet.

Systems

See CRR 2004, Our Guiding Principles (page 22) and Repsol YPF and People (page 86)

Performance

See CRR 2004 Repsol YPF and People (page 86) and relevant GRI indicators HR6 (page 113)

Principle 4: Business should uphold the elimination of all forms of forced and compulsory labour

Commitment

General commitment to human rights and public liberties, see Principle 1.

Systems

See CRR 2004, Our Guiding Principles (page 22)

Training is part of the deployment of the Code of Ethics and Conduct, specifically elearning courses have been designed and made available gradually to employees.

Performance

See CRR 2004 relevant GRI indicators, HR7 (page 113)

Principle 5: Business should support the effective abolition of child labour

Commitment

General commitment to human rights and public liberties, see Principle 1.

Contained in Repsol YPF's Policy of respect to people and their diversity, available to all workers in Repsol YPF's website and intranet. See CRR 2004 (page 22).

Systems

See CRR 2004, Our Guiding Principles (page 22)

Training is part of the deployment of the Code of Ethics and Conduct, specifically elearning courses have been designed and made available gradually to employees.

Performance

Several education programs in place, for example in Ecuador (Foundation Repsol YPF Ecuador) addressed to keep children at school and out of work. See Social projects in Repsol YPF website. Also in Spain there is a corporate volunteers program, in conjunction with Junior Achievement Foundation, with this aim, see CRR 2004 (page 97)

See CRR 2004 relevant GRI indicators, HR6 (page 113)

Principle 6: Business should support the elimination of discrimination in respect of employment and occupation

Commitment

General commitment to human rights and public liberties, see Principle 1.

Contained in Repsol YPF's Policy of respect to people and their diversity, available to all workers in Repsol YPF's website and intranet. See CRR 2004 (page 22).

Systems

See CRR 2004, Our Guiding Principles (page 16-17, 22-23), Repsol YPF and People (page 74 onwards)

The principle of equal opportunity is in Repsol YPF's Collective Agreements, such as the Acuerdo Marco 2003, valid until end of 2005. In articles 5 and 6 it refers to employment offers, selection and contracting processes, training, and non discrimination of married and unmarried couples with regard to social benefits.

Performance

See CRR 2004 relevant GRI indicators, HR4-LA10-LA11 (page 113)

Principle 7: Business should support a precautionary approach to environmental challenges

Commitment

Environment and Safety Policy, see CRR 2004 (page 19-21), specifically *Risk assessment and management and prevention principle*

Systems

Environmental Management System. See CRR 2004, Environment and Safety in Repsol YPF Activities (page 39-42)

Environmental and Social Impact Assessments in 100% of new operations or extensions of existing operations, even if these are not legally required.

Performance

Participation in industry forums such as IPIECA and OGP. See CRR Report, Corporate Responsibility at Repsol YPF (page 10)

See CRR 2004, Environment and Safety in Repsol YPF Activities (page 38-71); GRI indicators 3.13 (page 110)

Principle 8: Business should undertake initiatives to promote greater environmental responsibility

Commitment

Environment and Safety Policy, see CRR 2004 (page 19-21)

Systems

Environmental Management System. See CRR 2004, Environment and Safety in Repsol YPF Activities (page 39-42)

Performance

Participation in industry forums such as IPIECA and OGP. See CRR Report, Corporate Responsibility at Repsol YPF (page 10)

For a detailed description of Repsol YPF environmental performance, see CRR 2004, Environment and Safety in Repsol YPF Activities (page 38-71); GRI indicators EN1-EN16 (page 111-112)

In 2004, Repsol YPF has finished an outstanding project for the recovery of the fuel inside the oil tanker Prestige. CRR 2004 (page 62-63).

Innovation applied to environmental protection is one of Repsol YPF main R&D lines. CRR 2004 (page 32-33)

In addition, Repsol YPF promotes actions related to environmental education and biodiversity protection. CRR 2004 (page 59-60, 95-96).

Principle 9: Business should encourage the development and diffusion of environmentally friendly technologies

Commitment

Environment and Safety Policy, see CRR 2004 (page 19-21)

Systems

Innovation applied to environmental protection is one of Repsol YPF main R&D lines. CRR 2004, The Value of Repsol YPF (page 32-33)

Performance

In 2004 Repsol YPF set up the Optimization of Environmental Technologies (OTMA) project, described in CRR 2004, The Value of Repsol YPF (page 32)

Commitment to cleaner and alternative fuels for sustainable transport. See CRR 2004 (page 64-67).

Principle 10: Business should work against corruption in all its forms, including extortion and bribery.

Commitment

See Ethics and Conduct Regulation for Repsol YPF's employees in sections 3.4 and 3.13.

Systems

By the end of 2005 we aim to have approved a specific anti-corruption and bribery policy.

Repsol YPF does not make political contributions. Participation in international initiatives such as the Extractive Industries Transparency Initiative (EITI), the development of rigorous internal policies and standards and the advancement of corporate governance practices based on the most stringent international recommendations. Policy and criteria about donation and sponsorship:

[http://www.repsolypf.com/eng/todosobrerepsolypf/repsolypfenlasociedad/Accionsocialymecenzgo/Politicadeactuacion/Ethics and Transparency](http://www.repsolypf.com/eng/todosobrerepsolypf/repsolypfenlasociedad/Accionsocialymecenzgo/Politicadeactuacion/Ethics%20and%20Transparency)

Performance

Description of the policy, procedures/management systems, and compliance mechanisms for organizations and employees addressing bribery and corruption. OECD Convention on Combating Bribery: Pages 16-18 (CRR 2004).