

Corporate Governance Report



A. OWNERSHIP STRUCTURE

A.1. Company Share Capital

Date of Most Recent Change	Share Capital in Euros	Number of Shares	Number of Voting Rights
June 2, 1999 (*)	267,574,941	267,574,941	267,574,941

(*) Reduction of the share capital by 451,356.28 euros, for purposes of its re-denomination in this currency, by virtue of the resolution adopted at the Annual Meeting held on April 22, 1999, and notarized on June 2, 1999 through a deed issued by the Notary Public of Madrid, Ignacio Solís Villa.

The Company does not have different classes of shares with different associated rights.

A.2. Breakdown of direct and/or indirect owners of significant shareholdings in the Company's share capital at the end of the year, excluding board members.

At December 31, 2008, the owners of significant direct and/or indirect shareholdings in CEPSA's capital were as follows:

Corporate Name of Shareholder	Number of Direct Voting Rights	Number of Indirect Voting Rights (*)	% of Total Voting Rights
Total, S.A.	0	130,668,120	48.834
Banco Santander, S.A.	76,832,401	10,078,518	32.481
International Petroleum Investment Company	25,513,560	0	9.535
Unión Fenosa, S.A.	13,378,980	0	5.000

(*) Through:

Corporate Name of Indirect Owner of Shareholding	Held Through: Corporate Name of Direct Owner of Shareholding	Number of Direct Voting Rights	% of Total Voting Rights
Total, S.A.	ODIVAL, S.A.	130,668,120	48.834
Banco Santander, S.A.	FFB - Participações e Serviços, Sociedade Unipessoal, S.A.	7,500,000	2.803
Banco Santander, S.A.	Banco Madesant – Sociedade Unipessoal, S.A.	2,578,458	0.964
Banco Santander, S.A.	Títulos de Renta Fija, S.A.	60	0.000

A.3 Members of the Board of Directors who hold voting rights on Company shares

Name of Director	Number of Direct Voting Rights	Number of Indirect Voting Rights (*)	% of Total Voting Rights
Santiago Bergareche Busquet	100	0	0
Dominique de Riberolles	100	0	0
José Manuel Otero Novas	500	0	0
Murtadha Al Hashemi	60	0	0
Pedro López Jiménez	100	0	0
Joël Vigneras	60	0	0
Jean-Luc Guiziou	60	0	0
Saeed Al Mehairbi	60	0	0
% of total voting rights held by members of the Board of Directors			Less than 0.001

Members of the Board of Directors holding option rights on shares of CEPSA:

No Director has option rights on shares of the Company.

A.4 Family, commercial, contractual or corporate relationships among owners of significant shareholdings, insofar as the Company is aware of them, except in cases in which they are immaterial or are the result of routine business.

CEPSA is unaware of the existence of relationships of this nature.

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A.5. Commercial, contractual or corporate relationships between owners of significant shareholdings and the Company and/or its Group, except in cases in which they are immaterial or are the result of routine business.

Related Corporate Name	Type of Relationship	Brief Description
TOTAL, S.A.	Contractual	TOTAL E&P ALGERIE (a subsidiary of TOTAL) and CEPESA have interests in natural gas exploration activities in Algeria, specifically in the Timimoun Basin (85%/15%, respectively).
TOTAL, S.A.	Corporate	CEPSA and TOTAL have stakes in CEPESA GAS COMERCIALIZADORA (35%/35%, respectively), engaged in the commercialization of natural gas.
TOTAL, S.A.	Contractual	Technical assistance agreement between CEPESA E.P. (a subsidiary of CEPESA) and TOTAL in oil and natural gas exploration and production activities.
TOTAL, S.A.	Contractual	Cooperation agreement between PROAS (a subsidiary of CEPESA) and TOTAL regarding R&D activities for bitumen technologies.
TOTAL, S.A.	Commercial	PROAS (a subsidiary of CEPESA) is the licensee for the manufacture and sale of "Styrelf" products in Spain and Portugal.
TOTAL, S.A.	Commercial	PROAS (a subsidiary of CEPESA) has signed agreements for the purchase and sales of asphalt-based products and raw materials with subsidiaries of TOTAL.
TOTAL, S.A.	Contractual	CEPSA and TOTAL set up the company GAEL for jointly negotiating the purchase of additives and components needed to produce lubricants.
TOTAL, S.A.	Contractual	CEPSA and TOTAL cooperate on common R&D work in the area of automotive and industrial lubricants through a common technical unit.
TOTAL, S.A.	Commercial	CEPSA LUBRICANTES (a subsidiary of CEPESA) manufactures certain products for TOTAL in Algeciras, whereas TOTAL manufactures certain products for CEPESA LUBRICANTES in Quiva.
TOTAL, S.A.	Commercial	CEPSA has chemical product purchase-sale agreements with TOTAL and its affiliates.
TOTAL, S.A.	Corporate	CEPSA acquired TOTAL's distribution activities in Portugal.
UNIÓN FENOSA, S.A.	Contractual	CEPSA and its subsidiaries have contracts with UNION FENOSA for the purchase and sale of supplies and services.
UNIÓN FENOSA, S.A.	Corporate	CEPSA and UNION FENOSA GENERACIÓN (a subsidiary of Union Fenosa, S.A.) have 50% stakes each in NUEVA GENERADORA DEL SUR, which operates a 740 MW combined cycle power plant, the steam by-product of which is reused by CEPESA's Gibraltar-San Roque Refinery.
UNIÓN FENOSA, S.A.	Corporate	CEPSA participa con UNIÓN FENOSA GAS (filial de Unión Fenosa, S.A.) en GAS DIRECTO (40/60%, respectivamente), dedicada a la distribución de gas natural.
IPIC	Corporate	CEPSA and IPIC have stakes of 50% each in CEPESA MAGHREB, a company which, through its 70% shareholding in PETROSUD, is involved in marketing energy products in Morocco.
BANCO SANTANDER, S.A.	Commercial	CEPSA and its subsidiaries have contracts and agreements with BANCO SANTANDER for banking services.
BANCO SANTANDER, S.A.	Corporate	CEPSA ESTACIONES DE SERVICIO (a subsidiary of CEPESA) and Banco Santander have stakes in TURYOICIO, P.M.S., S.A. (24.75%/24.75% respectively) engaged in establishing, applying, introducing into the market and maintaining schemes aimed at developing, increasing and consolidating customer loyalty.
BANCO SANTANDER, S.A.	Corporate	CEPSA ESTACIONES DE SERVICIO (a subsidiary of CEPESA) and Banco Santander have stakes in ANEKIS, engaged in providing marketing and advertising services, especially in connection with the management of customer loyalty schemes, as well as data storage and processing services.

A.6. Shareholder Agreements reported to the Company that may affect it pursuant to what is set forth in Article 112 of the Securities Market Act

CEPSA is unaware of the existence of any agreements among shareholders of the Company.

State whether the Company is aware of any concerted actions among its shareholders.

CEPSA is unaware of the existence of any concerted actions among its shareholders.

In the event that any changes or termination of such agreements or concerted actions may have taken place, indicate this expressly.

Not applicable.

A.7. State whether there is any individual or corporation that exercises or may exercise control over the Company pursuant to Article 4 of the Securities Market Act.

According to information received by the Company, in enforcement of the provisions of RD 1362/2007 of October 19th, no shareholder directly or indirectly meets the requirements exacted by Article 4 of Securities Market Act 24/1988 of July 28th, nor do any of them meet the conditions set forth under section 1 of Article 42 of the Code of Commerce.

A.8. Treasury Stock

Neither CEPSA nor any of the companies of the Group directly or indirectly purchased shares of Compañía Española de Petróleos, S.A. in 2008, nor did they own any such securities at year-end.

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At year-end 2008.

Number of Direct Shares	Number of Indirect Shares (*)	Total % of Share Capital
0	0	0.000

Breakdown of significant changes, pursuant to the provisions of RD 1362/2007, that took place in the year:

Increase/(decrease) in treasury stock during the period	0
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A.9. Terms and conditions of any authorizations granted by the Annual Meeting to the Board of Directors to undertake acquisitions and/or transfers of treasury stock.

CEPSA's Annual Meeting has not granted any powers to the Board of Directors to buy or transfer treasury stock.

A.10. Legal or bylaw restrictions on the use voting rights, as well as legal restrictions on the acquisition or transfer of holdings in the share capital. State whether there are legal restrictions on the use of voting rights.

There are no legal or by-law restrictions on voting rights, nor are there any for acquiring or transferring shareholdings in the Company, except as otherwise provided for by law. Nevertheless, Article 23 of the Company Bylaws states that right of admission to the Annual General Meeting, with the number of votes each shareholder is entitled to (one share, one vote), is reserved to those shareholders who can demonstrate ownership of a minimum of sixty (60) shares, at least five (5) days prior to the scheduled date of the Annual General Meeting on first call.

A.11. State whether the Annual Meeting has adopted measures to neutralize public takeover bids, pursuant to Act 6/2007.

The Annual Meeting of Shareholders of Compañía Española de Petróleos, S.A. has not passed any resolutions regarding the adoption of preventive measures to neutralize or thwart takeover bids, pursuant to Act 6/2007.

B. CORPORATE GOVERNANCE STRUCTURE

B.1. Board of Directors

B.1.1. Maximum and minimum number of Directors pursuant to the Company Bylaws.

Maximum number of directors	30
Minimum number of directors	10

B.1.2. Board of Directors.

The configuration of the Board of Directors at December 31, 2008 was as follows:

Name of Director	Name of Company He or She Represents	Position on the Board	Date of First Appointment	Date of Most Recent Appointment	Election Procedure
Santiago Bergareche Busquet	Independent	Chairman	27.06.2008	27.06.2008	Co-option
Alfredo Sáenz Abad	Banco Santander	Vice Chairman	18.03.2002	22.06.2007	Annual Meeting
Michel Bénézit	TOTAL, S.A.	Vice Chairman	30.03.2006	23.06.2006	Annual Meeting
Dominique de Riberolles	Executive	Chief Executive Officer	20.03.2003	27.06.2008	Annual Meeting
HRH Carlos de Borbón	Independent	Director	29.04.1987	22.06.2007	Annual Meeting
José Luis Leal Maldonado	Independent	Director	31.03.1995	27.05.2005	Annual Meeting
Juan Rodríguez Inciarte	Banco Santander	Director	20.07.1999	28.05.2004	Annual Meeting
Ernesto Mata López	Banco Santander	Director	20.07.1999	28.05.2004	Annual Meeting
Joël Vigneras	TOTAL, S.A.	Director	25.09.2008	25.09.2008	Co-option
Fernando de Asúa Álvarez	Banco Santander	Director	24.01.2002	22.06.2007	Annual Meeting
Jean-Luc Guiziou	TOTAL, S.A.	Director	25.09.2008	25.09.2008	Co-option
Bernadette Spinoy	TOTAL, S.A.	Director	20.03.2003	27.06.2008	Annual Meeting
José Manuel Otero Novas	Independent	Director	29.03.2005	27.05.2005	Annual Meeting
Murtadha Al Hashemi	IPIC	Director	23.09.2005	23.06.2006	Annual Meeting
Pedro López Jiménez	UNIÓN FENOSA, S.A.	Director	24.11.2005	23.06.2006	Annual Meeting
Eric de Menten	TOTAL, S.A.	Director	23.06.2006	23.06.2006	Annual Meeting
Patrick Pouyanné	TOTAL, S.A.	Director	22.06.2007	22.06.2007	Annual Meeting
Saeed Al Mehairbi	IPIC	Director	27.09.2007	27.06.2008	Annual Meeting
Humbert de Wendel	TOTAL, S.A.	Director	27.09.2007	27.06.2008	Annual Meeting

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Total number of directors at December 31, 2008 19

Indicate the resignations/departures from the Board of Directors that took place during the year:

Name of Director	Type of Director at the Time of Resignation/Departure	Date of Resignation/Departure
Carlos Pérez de Bricio Olariaga	Executive	June 27, 2008
Jean Privey	Shareholder representative	September 25, 2008
Jacques Porez	Shareholder representative	September 25, 2008

B.1.3 Breakdown of the Board of Directors.

Executive Directors:

Name of Director	Nominating Body	Position in Organizational Structure of the Company
Dominique de Riberolles	Nomination and Compensation Committee	Chief Executive Officer and Senior Vice President of Oil Marketing

Total number of Executive Directors	1
% of total Board	5.263

Non-Executive Shareholder Representative Directors:

Name of Director	Nominating Body	Name of Significant Shareholder that He or She Represents or that Nominated Him or Her
Alfredo Sáenz Abad	Nomination and Compensation Committee	Banco Santander
Michel Bénézit	Nomination and Compensation Committee	TOTAL, S.A.
Juan Rodríguez Inciarte	Nomination and Compensation Committee	Banco Santander
Ernesto Mata López	Nomination and Compensation Committee	Banco Santander
Joël Vigneras	Nomination and Compensation Committee	TOTAL, S.A.
Fernando de Asúa Álvarez	Nomination and Compensation Committee	Banco Santander
Jean-Luc Guiziou	Nomination and Compensation Committee	TOTAL, S.A.
Bernadette Spinoy	Nomination and Compensation Committee	TOTAL, S.A.
Murtadha Al Hashemi	Nomination and Compensation Committee	IPIC
Pedro López Jiménez	Nomination and Compensation Committee	UNIÓN FENOSA, S.A.
Eric de Menten	Nomination and Compensation Committee	TOTAL, S.A.
Patrick Pouyanné	Nomination and Compensation Committee	TOTAL, S.A.
Saeed Al Mehairbi	Nomination and Compensation Committee	IPIC
Humbert de Wendel	Nomination and Compensation Committee	TOTAL, S.A.

Total number of non-executive shareholder representative directors	14
% of total Board	73.684

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Independent Directors:

Name of Director	Nominating Body	Professional Background
Santiago Bergareche Busquet	Nomination and Compensation Committee	Financial and economics expert
HRH Carlos de Borbón-Dos Sicilias	Nomination and Compensation Committee	Financial expert
José Luis Leal Maldonado	Nomination and Compensation Committee	Financial and economics expert
José Manuel Otero Novas	Nomination and Compensation Committee	Legal expert

Total number of independent directors	4
% of total Board	21.053

State any changes, where applicable, that took place during the year in the classification of directors.

No changes in the classification of directors took place in 2008.

B.1.4 State the reasons, where applicable, for the appointment of shareholder representative directors at the request of shareholders whose ownership in the share capital is less than 5%.

No shareholder representative directors were appointed at the request of shareholders whose ownership in the share capital of the Company is less than 5%.

State whether the Board of Directors disregarded formal requests for Board presence made by shareholders whose ownership in the share capital is equal to or greater than others whose call for such presence was met with the appointment of shareholder representative directors.

No requests of this kind were made.

B.1.5. Indicate whether any director left his/her seat on the Board prior to the completion of his/her term, if the director explained the reasons thereof to the Board and through which channels, and, in the event that the director sent a letter of explanation to the entire Board, please state below at least the reasons that were given:

Name of Director	Reason for Departure
Carlos Pérez de Bricio Olariaga	Retirement
Jean Privey	Retirement
Jacques Porez	Retirement

B.1.6. Indicate the powers, if any, delegated to the Chief Executive Officer(s)

Name of Chief Executive Officer	Brief Description
Dominique de Riberolles	The CEO's delegated powers include those set forth in the Company Bylaws, as well as other powers delegated by the Board that may be required to govern and represent the Company and to undertake transactions involving ownership, management, negotiation and engagement.

B.1.7. Members of the Board of Directors that are likewise board members or executives of other companies that belong to the group of the listed company.

Name of Director	Name of Group Subsidiary	Position
Dominique de Riberolles	CEPSA Química, S.A.	Chairman
	CEPSA Gas Comercializadora, S.A.	Board member
	CEPSA Estaciones de Servicio, S.A.	Chairman
	Petresa Canada Inc.	Chairman
	Petresa America, Inc.	Chairman
	Interquisa Canada L.P.	Chairman
	Interquisa Canada Inc.	Chairman
	Deten Química, S.A.	Chairman

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B.1.8. State the members of the Board of Directors of the Company who are also members of the Boards of Directors of other companies listed on official securities markets in Spain, apart from the Group, that have been notified to the Company.

Name of Director	Name of Listed Company	Position
Santiago Bergareche Busquet	Grupo Ferrovial	Vice Chairman
	GAMESA Corporación Tecnológica, S.A.	Director
	VOCENTO, S.A.	Director
	DINAMIA Capital Privado, Sociedad de Capital Riesgo, S.A.	Chairman
Alfredo Sáenz Abad	Banco Santander, S.A.	Second Vice Chairman and CEO
Dominique de Riberolles	Compañía Logística de Hidrocarburos, CLH, S.A.	Director
HRH Carlos de Borbón-Dos Sicilias	Reyal-Urbis, S.A.	Director
Ernesto Mata López	Unión Fenosa, S.A.	Director - Adjunct to Chairman
	Abertis, S.A.	Director
Fernando de Asúa Álvarez	Banco Santander	First Vice Chairman
	Técnicas Reunidas, S.A.	Vice Chairman
Pedro López Jiménez	Unión Fenosa, S.A.	Chairman
	ACS, Actividades de Construcción y Servicios, S.A.	Director
	Indra Sistemas, S.A.	Vice Chairman

B.1.9. Rules established by the Company regarding the number of boards on which its Directors are allowed to serve.

Article 30 of the Rules and Regulations of the Board of Directors states that: "Directors who perform actions that may involve competition with the Company in its geographical area of business, or provide professional services as a Director of companies whose total or partial purpose is similar to the Company's or that compete with it in a significant or steady manner, within the aforementioned geographical area, must disclose such actions or services to the Company."

CEPSA does not have any explicit rules limiting the number of boards on which its Directors may serve.

B.1.10. With reference to recommendation 8 of the Unified Code, state the general policies and strategies of the Company that the Board reserves to itself for plenary approval.

Investment and funding policies	No
Definition of the structure and organization of the Group of Companies	No
Corporate Governance policies	Yes
Corporate Social Responsibility policies	No
The strategic business plan and annual management and budgetary targets	No
Executive management compensation and performance appraisal policies	No
Risk control and management policies, as well as the periodic monitoring of internal information and control systems	No
Dividend payout and treasury stock policies, and in particular, their limits	Yes

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B.1.11. Fill in the following tables on the aggregate Directors' compensation accrued during the year.

a) In CEP SA

Compensation Components	Thousands of Euros
Fixed pay	1,054
Variable pay	310
Attendance fees	307
Bylaw stipulated fees	3,603
Stock options and/or other financial instruments	0
Miscellaneous components	1,844
TOTAL	7,118

Other Benefits	Thousands of Euros
Advances	0
Loans granted	0
Pension schemes: contributions	25
Pension schemes: liabilities incurred	725
Life insurance premiums	0
Guarantees	0

b) For belonging to the Boards of Directors and/or Executive Management of other companies of the Group

Compensation Components	Thousands of Euros
Fixed pay	0
Variable pay	0
Attendance fees	126
Bylaw stipulated fees	105
Stock options and/or other financial instruments	0
Miscellaneous components	0
TOTAL	231

Other Benefits	Thousands of Euros
Advances	0
Loans granted	0
Pension schemes: contributions	0
Pension schemes: liabilities incurred	0
Life insurance premiums	0
Guarantees	0

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c) Total compensation by types of directors:

Figures in thousands of euros

Types of Directors	CEPSA	Other CEPSA Group companies
Executive	3,926	209
Non-executive shareholder representative	2,902	0
Non-executive independent	290	22
Other non-executive	0	0
TOTAL	7,118	231

d) Out of net income attributable to shareholders of the parent company:

Figures in thousands of euros

Total Directors' compensation (thousands of euros)	7,349
Total Directors' compensation/Consolidated net income attributable to shareholders of the parent company (in %)	2.65

B.1.12. Identify Senior Managers or Executive Officers who are not likewise Executive Directors of the Board and indicate the total compensation accrued to them during the year.

Name	Position
Fernando Maravall Herrero	Senior Vice President – Exploration and Production, Natural Gas and Corporate Management
Ignacio Gómez Martínez	Senior Vice President – Corporate Technical Division
Fernando Iturrieta Gil	Senior Vice President – Petrochemicals
Juan Rodríguez Fidalgo	Senior Vice President – Human Resources, Legal Affairs and Property Asset Management
José E. Aranguren Escobar	Vice President – Planning, Control and Distribution
Federico Bonet Pla	Vice President – Specialties
Luis Calderón Castro	Vice President – Corporate Communications and Institutional Relations
Francisco Calderón Pareja	Vice President – Retail/Wholesale Operations
Iñigo Díaz de Espada Soriano	Vice President – Supply, Trading, Marine and Aviation
José María García Aguado	Vice President – Refining
Pedro Miró Roig	Deputy Senior Vice President – Corporate Technical Division
Federico Molina Félix	Vice President – Operations – CEPSA Química
Carlos Navarro Navarro	Vice President – Commercial Planning and Distribution
Luis Travesedo Loring	Vice President – Exploration and Production
Total compensation of Executive Managers (in thousands of euros)	6,535

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B.1.13. Provide an itemized list of the Guarantee or “golden parachute” clauses for senior managers, including executive directors, of the Company or its Group, that cover possible dismissals or changes in control. State whether these contracts have to be reported and/or approved by the Company or Group’s governing bodies.

There are no clauses of this kind in effect in the Company. However, all the senior managers, including the executive directors on the Board, are guaranteed that, in the event of dismissal, they will be entitled to the same severance payment system that they would have had in the case of coming under the collective labor agreement.

Number of beneficiaries of the aforementioned clauses			10
	Board of Directors	Annual Meeting	
Body authorizing these clauses	Yes	No	
Is the Annual Meeting informed of such clauses?			No

B.14. Explain the process to determine compensation for members of the Board of Directors, and where applicable, the relevant clauses contained in the Company Bylaws.

Compensation for Board members is determined upon proposal by the Nominations and Compensation Committee.

State whether the Board, in a plenary session, has reserved itself the right to approve the following decisions:

Upon proposal by the CEO, the appointment and possible dismissal of senior managers, as well as their severance conditions.	No
Directors' compensation, as well as, in the case of Executive Directors, any additional payments for their executive duties and other terms and conditions to be included in their contracts.	Yes

B.1.15. State whether the Board of Directors approves a detailed compensation policy and explain what decisions it makes in this regard.

Breakdown, where applicable, of the fixed components of attendance fees for members of the Board and their sub-committees and an estimate of the overall yearly fixed pay arising out of these items	No
Variable pay components	No
Main features of pension and annuity systems, with an estimate of their yearly amount or cost	No
Conditions that must be honored in the contracts of those persons who exercise executive management duties such as executive directors	No

Article 32 of the Company Bylaws states that the Board of Directors should be particularly responsible for determining "ordinary and extraordinary rights and remuneration for all the offices, posts and services of the Company, and especially to decide as to the means of distribution among the members of the Board, Executive Committee, Audit Committee and any other committees or subcommittees of the sums assigned for such purposes by the Annual Meeting of Shareholders."

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B.1.16. State whether the Board submits a report on the compensation policy for directors to the Annual Meeting for a consultative vote. If so, explain the aspects of the report on the compensation policy approved by the Board for future years, the most significant changes in this policy compared to the policy applied during the year and an overall summary of how the compensation policy was applied during the year. Describe the role of the Compensation Committee and, if external advisors were engaged, the identity of such consultants.

No, the Board does not submit a report on the directors' compensation policy to the Annual Meeting for a vote.

Were external advisors used?

No

B.1.17. Members of the Board of Directors of the Company that are likewise members of the Boards of Directors or Senior Managers of companies that have significant shareholdings in the listed Company and/or entities of your Group.

Name of Director	Name of Significant Shareholder	Position
Alfredo Sáenz Abad	Banco Santander	Second Vice Chairman & CEO
Michel Bénézit	TOTAL, S.A.	Executive Committee member and President - Refining & Marketing
Juan Rodríguez Inciarte	Banco Santander	Director-General Manager
Ernesto Mata López	Unión Fenosa, S.A.	Director - Adjunct to the Chairman
Joël Vignerat	TOTAL, S.A.	Senior Vice President – North and East Europe Division, R&M
Fernando de Asúa Alvarez	Banco Santander	First Vice Chairman
Jean-Luc Guiziou	TOTAL, S.A.	Senior Vice President - Corporate Finances, E&P
Bernadette Spinoy	TOTAL, S.A.	Senior Vice President – Styrenics – Logistics procurement of polymers
Murtadha Al Hashemi	IPIC	Finance Division Manager
Pedro López Jiménez	Unión Fenosa, S.A.	Chairman
Eric de Menten	TOTAL, S.A.	Senior Vice President - Marketing Europe
Patrick Pouyanné	TOTAL, S.A.	Senior Vice President – Strategy, Business Development and R&D – E&P
Saeed Al Mehairbi	IPIC	Manager - Project Management Division
Humbert de Wendel	TOTAL, S.A.	Senior Vice President - Corporate Development, Finance Division

Provide a detailed explanation, where applicable, of significant affiliations or relationships apart from those addressed in the foregoing section, that link Board members to significant shareholders and/or entities of your group.

No affiliations other than those listed above exist between significant shareholders and/or entities of the CEPSA Group.

B.1.18. Modifications introduced during the year in the Rules and Regulations of the Board of Directors.

The wording that was initially approved by the Board of Directors in paragraph 7 of Article 16 of the Board Rules and Regulations at its meeting of March 25, 2004 and reported to the Annual Meeting of May 28, 2004 for information purposes read as follows:

“The Chairperson of the Board of Directors shall likewise be the Chairperson of the Executive Committee and secretarial duties shall be performed by the Secretary of the Board, who may be assisted by the Vice-Secretary.”

As resolved by the Board of Directors at its meeting held June 27, 2008, paragraph 7 of Article 16 of the Board Rules and Regulations was amended as follows:

“The Chairperson of the Executive Committee is appointed by the Board. Unless otherwise agreed, the secretarial duties of the Executive Committee shall be performed by the Secretary of the Board, who may be assisted by the Vice-Secretary.”

B.1.19. Procedures for appointing, re-electing, evaluating and removing Directors. List the competent bodies, procedures and formalities to be followed and criteria used in each of these procedures.

Pursuant to the Company Bylaws, Directors are appointed, ratified, re-elected or removed from office by the Annual Meeting. There are no procedures in place for the evaluation of Directors' performance.

Without prejudice to the application of the provisions included under Article 137 of the amended Companies Act regarding the appointment of Directors according to the system of proportional representation, significant shareholders nominate Directors, and the Board of Directors is authorized to cover vacancies arising therein by co-opting nominees, and to accept resignations tendered by Directors, in accordance with what is stipulated in applicable legislation and the Company Bylaws.

B.1.20. State the circumstances under which Directors are required to resign.

Directors shall resign from their seats on the Board whenever, at the end of their term, they have not been re-elected by the first Annual Meeting, whether Ordinary or Extraordinary, held immediately thereafter or whenever determined by the Annual Meeting using the powers legally conferred to it by applicable legislation or by the Company Bylaws. Likewise,

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pursuant to the provisions of Article 26 of the Rules and Regulations of the Board of Directors, Directors must relinquish their seats to the Board and tender, if this body deems it advisable, the corresponding resignation in the following cases:

- In the event that they resign from the executive position with which their appointment is connected.
- In the event that they are involved in any of the cases of incompatibility or prohibition legally provided for.
- In the event that they are convicted for a criminal offense.

B.1.21. Explain whether the duties of chief executive of the Company are held by the Board's Chairperson. Where applicable, state the measures taken to limit the risks involved in having the offices of Chairperson and Chief Executive Officer held by the same person.

The Chairman of the Board is an Independent Director. The duties of chief executive of the Company are held by the Chief Executive Officer (Executive Director) and not by the Chairman of the Board.

State and, where appropriate, explain whether there are rules allowing one of the independent directors to be able to summon a Board meeting or include new items on the agenda so as to coordinate and voice the concerns of non-executive directors and to direct their development by the Board of Directors.

Although no specific rules have been established in this regard, since the Chairman is one of the Independent Directors, he is entitled, according to the Bylaws, to summon Board meetings, determine the items on the agenda of such meetings and lead discussions within the Board.

B.1.22. Are qualified or enhanced majorities, other than the legally-required majorities, needed for certain types of decisions?
No.

Indicate how resolutions are adopted within the Board, stating at least the minimum quorum for the transaction of business and the type of majorities needed to pass resolutions:

Description of resolution:

Pursuant to Article 21 of the Board Rules, the Board of Directors may discuss and pass resolutions on all matters that come under its area of authority.

Quorum	%
Whenever more than half of the Directors are present either in person or by proxy	51.00

Type of Majority	%
The resolutions of the Board of Directors are adopted by the absolute majority of the Directors attending the meeting. In the case of a tie, the Chairperson shall cast the deciding vote	51.00

B.1.23. Explain whether there are specific requirements, apart from those required for Directors, for being appointed Chairperson.

No, there are no specific requirements for being appointed Chairperson.

B.1.24. State whether the Chairperson has a casting vote.

Article 44 of the Company Bylaws stipulates that the resolutions of the Board of Directors must be adopted by an absolute majority and in cases of a tie, the Chairperson shall have the casting vote.

B.1.25. State whether the Bylaws of Board Rules and Regulations establish any age limits for Directors.

No age limits have been established in either the Bylaws or the Board Rules and Regulations.

B.1.26. State whether the Bylaws or Board Rules and Regulations establish limits to the terms of office for Independent Directors.

No specific limits have been established for Independent Directors.

B.1.27. In the case of few or no female Directors, explain the reasons thereof and the initiatives adopted to remedy the situation.

Currently, the percentage of female members out of total members of the Board of Directors is 5.3%.

CEPSA does not have any special mechanisms to encourage the selection of its Board members based on gender. Directors are appointed by the Board through the system of co-option or by the Annual Meeting, upon proposal by the shareholders of the Company, following the shortlist of candidates by the Nomination and Compensation Committee, based on their professional profile, regardless of gender.

In particular, state whether the Nomination and Compensation Committee has established any procedures to ensure that the selection of candidates does not contain any hidden biases against female directors and deliberately seek candidates meeting the required profile.

No procedures of this kind have been established.

Corporate Governance Report

B.1.28. State whether there are formal procedures for proxy authorizations and voting at Board meetings. Provide a brief explanation, where applicable.

According to Article 43 of the Company Bylaws, all Directors may grant proxy authorizations to other attending Board members to represent them at Board meetings, specifying this in writing for each meeting called. No attending Director may hold more than three (3) proxy authorizations.

B.1.29. State the number of Board Meetings held in the year. Likewise, indicate, where applicable, how many times the Board met during the year in absence of the Chairperson.

Number of meetings of the Board of Directors	6
Number of meetings of the Board of Directors in absence of the Chairperson	0

Number of meetings of the Board sub-committees held in the year.

Number of Executive Committee meetings	8
Number of Audit Committee meetings	4
Number of Nomination and Compensation Committee meetings	2

B.1.30. State the number of Board meetings held in the year without the attendance of all of its members. This calculation should take into account proxies authorized without specific instructions.

Number of non-attendances by Directors during the year	1
% of non-attendances out of total votes during the year	0.9%

B.1.31. State whether the individual and consolidated financial statements that are presented for the approval of the Board are certified beforehand.

Yes.

Where applicable, identify the person(s) who has (have) certified the individual and consolidated financial statements of the Company to be filed by the Board.

Name	Position
Dominique de Riberolles	Chief Executive Officer
José E. Aranguren Escobar	Vice President of Planning, Control & Distribution

B.1.32. Established mechanisms, if any, to prevent individual or consolidated financial statements approved by the Board from being presented to the Annual Meeting with a qualified auditors' report.

No mechanisms of this kind have been established.

CEPSA publishes, together with its individual and consolidated financial statements for the year, the letters of opinion from the independent auditors. Taking the last eleven years as a reference, the reports issued by the independent auditors contained no limitations of scope, qualifications or reservations whatsoever.

B.1.33. Is the Corporate Secretary also a Director on the Board?

No.

B.1.34. Explain the appointment and removal procedures for the Secretary of the Board, indicating whether his/her appointment or removal is notified by the Nominations Committee and approved by the Board in a plenary meeting.

Appointment and Removal Procedure

No specific procedure has been established.

Nonetheless, Article 39 of the Company Bylaws sets forth that the Board shall also appoint a Secretary and, if appropriate, one or more Vice Secretaries, who shall substitute the former in his or her absence or inability to act. The Secretary as well as the Vice Secretary or Secretaries may or may not be Directors, and therefore, are not required to be Company shareholders.

Does the Nominations Committee report on the appointment?	Yes
Does the Nominations Committee report on the removal?	Yes
Is the Board required to approve the appointment in a plenary meeting?	Yes
Is the Board required to approve the removal?	Yes

Corporate Governance Report

Is it the Corporate Secretary's duty to take special care in overseeing that corporate governance recommendations are fulfilled?

Yes. According to Article 13 of the Board Rules, the Secretary shall devote particular attention to the formal and material legality of the Board's actions and ensure that its governing rules and procedures are observed and regularly reviewed.

B.1.35. Indicate, where applicable, whether there are any mechanisms established by the Company to safeguard the independence of auditors, financial analysts, investment banks and rating agencies.

Article 47 of the Bylaws grants the following powers and duties to the Audit Committee: "To handle dealings with independent auditors to receive information on such matters that may jeopardize their independence."

B.1.36. State whether the Company has changed its independent auditing firm during the year. Where applicable, identify the incoming and outgoing auditors.

The Company did not change its independent auditors in 2008.

If there were any discrepancies with the outgoing auditors, please explain what they involved.

Not applicable.

B.1.37. State whether the firm of auditors provides any non-audit services to the Company and/or Consolidated Group, and if so, state the amount of fees for such work and the percentage it represents of total fees invoiced to the Company and/or Group.

Yes.

	Company	Group	Total
Fees for non-audit services (thousands of euros)	181	332	513
Fees for non-audit services/total amount invoiced by the auditing firm (in %)	19	27	23.510

B.1.38. State whether the report from the auditors on the financial statements has any reservations or qualifications. If so, indicate the reasons provided by the Chairperson of the Audit Committee to explain the content and scope of such reservations and qualifications.

The report from the independent auditors on the 2008 financial statements was issued with no reservations or qualifications whatsoever.

B.1.39. Indicate the number of consecutive years that the current auditing firm has conducted audits of the financial statements of the Company and/or its Group. Also state the percentage represented by the number of years audited by the current auditing firm out of the total number of years in which the financial statements were audited.

The information provided below refers to the fiscal years from 1989 (Act 19/1988 of July 12th on Accounts Auditing, states in its First Additional Provision that it is mandatory for independent audits to be conducted on the financial statements of companies that, meeting certain requisites - one of which is to be a listed company – begin their fiscal years subsequent to the aforementioned date) up to 2008, inclusive.

	Company	Group
Number of consecutive years	20	20

	Company	Group
Number of years audited by the current auditing firm/Number of years that the Company has been audited (in %)	90.9	90.9

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B.1.40. Indicate significant shareholdings of members of the Board of Directors of the Company in the capital of entities that have the same, similar or complementary type of activity as that of the Company or its Group, and that have been reported to the Company. Likewise, state the positions held or functions performed in such entities.

Name of Director	Company	% of Holding	Position
Pedro López Jiménez	Unión Fenosa, S.A.	0.098	Chairman
Michel Bénézit	TOTAL, S.A.	Less than 0.01	Executive Committee member and President – Refining & Marketing
Juan Rodríguez Inciarte	REPSOL-YPF	0.000	
Humbert de Wendel	TOTAL, S.A.	Less than 0.01	Senior Vice President – Corporate Development, Finance Division
Patrick Pouyanné	TOTAL, S.A.	Less than 0.01	Senior Vice President – Strategy, Business Development and R&D – E&P
Eric de Menten	TOTAL, S.A.	Less than 0.01	Senior Vice President - Marketing Europe
Joël Vigneras	TOTAL, S.A.	Less than 0.01	Senior Vice President – North and East Europe Division, R&M
Bernadette Spinoy	TOTAL, S.A.	Less than 0.01	Senior Vice President – Styrenics – Logistics procurement of polymers
Jean-Luc Guiziou	TOTAL, S.A.	Less than 0.01	Senior Vice President - Corporate Finances, E&P

B.1.41. State whether a procedure exists for Directors to be provided with outside counsel or expert assistance.

No.

B.1.42. State, and where applicable, provide details, on the existence of procedures for Directors to be provided with the necessary information beforehand to prepare the meetings of governing bodies with sufficient time.

Prior to each Board meeting, the members of the Executive Committee receive the balance sheets and statements of income for the Company and its Consolidated Group, the accounts management control reports, and, where applicable, other reports on investments and significant matters in connection with the progress of the Company and its Consolidated Group. The Chairmen of the Executive Committee, Audit Committee and Nomination and Compensation Committee present the most significant matters dealt with in the meetings of these bodies to the Board of Directors for their discussion and eventual adoption of resolutions, where applicable. The members of the Board of Directors receive specific documents of a financial nature and in connection with the activities of CEPSA and its Consolidated Group.

B.1.43. State and, where applicable, provide details on whether the Company has established rules or procedures that require Directors to notify and, where appropriate, resign in cases in which they may damage or undermine the standing, credibility and reputation of the Company.

Yes.

Specifically, Article 37 of the Company Bylaws states that “the duties of the office of Director must be performed with the diligence of a respectable businessman and loyal representative or fiduciary”.

Furthermore, Article 26 of the Rules and Regulations of the Board of Directors states as follows: “Notwithstanding what is provided for by law, the Directors must relinquish their seats to the Board and formalize, if this body deems it advisable, the corresponding resignation in the following cases:

- In the event that they resign from the executive position with which their appointment is connected.
- In the event that they are involved in any of the cases of incompatibility or prohibition legally provided for.
- In the event that they are convicted for a criminal offense.”

B.1.44. State whether any of the Board members has notified the Company of being involved in a lawsuit or if any court proceedings have been filed against him or her for any of the offences listed in Article 124 of the Companies Act.

No.

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Indicate whether the Board of Directors has analyzed the case. If so, explain the grounds for the decision reached on whether or not the Director should remain on the Board.

No.

B.2. Board Committees.

B.2.1. List all the Board committees and their members.

Executive Committee:

Name	Position	Type of Director
Alfredo Sáenz Abad	Vice Chairman	Non-Executive Shareholder Representative
Michel Bénézit	Vice Chairman	Non-Executive Shareholder Representative
Dominique de Riberolles	Member	Executive
Eric de Menten	Member	Non-Executive Shareholder Representative
Bernadette Spinoy	Member	Non-Executive Shareholder Representative
Saeed Al Mehairbi	Member	Non-Executive Shareholder Representative

Audit Committee:

Name	Position	Type of Director
Fernando de Asúa Álvarez	Chairman	Non-Executive Shareholder Representative
Saeed Al Mehairbi	Member	Non-Executive Shareholder Representative
Humbert de Wendel	Member	Non-Executive Shareholder Representative

Executive Committee:

Name	Position	Type of Director
Santiago Bergareche Busquet	Chairman	Independent
Alfredo Sáenz Abad	Vice Chairman	Non-Executive Shareholder Representative
Michel Bénézit	Vice Chairman	Non-Executive Shareholder Representative

B.2.2. State whether the following duties and responsibilities are assigned to the Audit Committee:

To supervise the preparation and integrity of the financial information for the Company, and, where applicable, its group of companies, reviewing compliance with regulatory requirements and legal provisions, the scope of the consolidation perimeter and the correct application of accounting principles.	Yes
To periodically review the internal control and risk management systems so that key risks can be properly pinpointed, managed and reported on.	Yes
To ensure the independence and efficacy of internal audit; propose the selection, appointment, re-appointment and, where applicable, removal of the internal audit manager; propose a budget for the internal audit service; receive periodic information on its activities; and ensure that senior management is aware of the conclusions and recommendations contained in such reports.	Yes
To establish and supervise a mechanism that allows employees to confidentially, and if considered appropriate, anonymously report any irregularities they notice within the Company that may be of potential importance, especially financial and accounting irregularities.	No
To submit to the Board proposals for selection, appointment, re-appointment and replacement of the independent auditors and the terms and conditions of their engagement.	Yes
To regularly receive information from the independent auditors on the audit plan and the progress and outcome of its execution, verifying that senior management is duly aware of its recommendations..	Yes
To ensure the independence of the externally-hired auditing firm.	Yes
In the case of groups of companies, to help the group auditors take charge of the audits of the companies belonging to the group.	Yes

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B.2.3. Describe the rules of organization and procedure, as well as duties and responsibilities, assigned to each of the Board committees.

The Executive Committee meets periodically, generally once a month, in ordinary meetings, and may meet for special purposes whenever called by the Chairman or at the request of the majority of its members. Its duties are to directly adopt executive decisions on all such matters that have been expressly delegated to it by the Board, and furthermore, to deliberate and formulate proposals and motions to the Board on the remaining matters that come under this body's authority.

The Audit Committee meets at least on a quarterly basis to deal with matters coming under its authority: to report, at the Annual Meeting of Shareholders, on any matters that may properly be brought before such Meeting in connection with its duties and responsibilities; to propose to the Board of Directors, for approval of the Annual Meeting, the appointment of Independent Auditors, their contractual conditions, the scope and extent of their professional duties, where appropriate, the cancellation or renewal of their term; to supervise the internal auditing services of the Company; to oversee the financial information processes and internal control systems of the company; to handle dealings with independent auditors to receive information on such matters that may jeopardize their independence and any other matters related to the process of auditing the financial statements, as well as any other notifications provided for in account auditing legislation and technical auditing standards; to oversee compliance with laws and regulations regarding financial information and ensure that the quarterly financial statements of the parent company CEPSA and the CEPSA Group reported to the Board of Directors are consistent with the communication released to markets; to report to the Board of Directors on the performance and results of their work; and, generally speaking, to examine and study any activity or matter that the Board of Directors may determine to be related to the above.

The Nomination and Compensation Committee, on the other hand, does not meet on a regular basis, given that its functions do not require it to do so. In all cases, advance notices are sent to convene the meetings of these Committees, accompanied by their respective agendas, and where applicable, the documents required to discuss certain matters. Its duties are to provide information and formulate proposals and recommendations regarding nominations, re-elections, removals and compensation of members of the Board of Directors, as well as on the general compensation and incentive policies for Board members and Senior Managers of the Company, and to formulate reports and proposals to the Board on the decisions to be adopted in the event of a conflict of interest.

B.2.4. Indicate the powers assigned to each committee to make recommendations, issue opinions and, where applicable, delegate powers.

Name of Committee	Brief Description
Executive Committee	The delegation of powers of the Board of Directors to the Executive Committee comprises all matters that come under the Board's authority, except those that according to laws in force and the Company's Bylaws are non-transferable.
Audit Committee	The powers assigned to this Committee are set out in section B.2.3
Nomination and Compensation Committee	The powers assigned to this Committee are set out in section B.2.3

B.2.5. Indicate, where applicable, if there are any rules and regulations for the Board Committees, where they are available for consultation and any changes or amendments made during the year. Likewise indicate whether an annual report on the activities of each Committee has been prepared on a voluntary basis.

The Audit Committee has an internal charter; the Executive Committee and Nomination and Compensation Committee do not have specific rules, as their procedures and organization are governed by provisions of the Bylaws and the Rules and Regulations of the Board of Directors.

As mentioned in section B.1.18, paragraph 7 of Article 16 of the Board Rules was amended at the Board of Directors meeting held on June 27, 2008.

All of these documents are available through CEPSA's Shareholder Service Office, Avenida del Partenón, 12, 28042 Madrid, at the toll-free telephone number 900 10 12 82, at the e-mail address oficina.accionista@cepsa.com or through the Company's website at: <http://www.cepsa.com/informegobiernocorporativo-eng/index.htm>.

CEPSA prepares an annual report on the activities of the Audit Committee.

B.2.6. State whether the composition of the Executive Committee reflects the proportions of the different types of Directors on the Board.

No. There are no independent directors serving on the Executive Committee.

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C. RELATED-PARTY TRANSACTIONS

C.1. State whether the Board, in a plenary session, has reserved itself powers to approve, based on a favorable report from the Audit Committee or any other entrusted with such a task, the transactions in which the Company engages with its directors, significant shareholders or shareholders with Board representation, or parties related to them:
No.

C.2 Provide a breakdown of the relevant transactions made during the year that involve a transfer of resources or obligations between companies or entities of the Group and the Company's significant shareholders.

Name of Significant Shareholder	Group Company	Nature of Relationship	Type of Transaction	Amount
Banco Santander, S.A.	Compañía Española de Petróleos, S.A.	Commercial	FX transactions	Purchase-sale of foreign currencies in cash transactions for an exchange value of €57.1 million. The outstanding balance at 31/12/08 was €2.8 million In FX swap transactions (spot purchase + forward sale) associated with short-term financing, the average annual balance of arranged transactions came to €4.4 million euros, with an outstanding balance at year-end of €0 million.
Banco Santander, S.A.	Compañía Española de Petróleos, S.A.	Commercial	Bank accounts	Average balance in the year was €33.4 million.
Banco Santander, S.A.	Compañía Española de Petróleos, S.A.	Commercial	Loans and credits	Average balance in the year was €185 million, with a cost of €6.81 million. The total amount of credit available at the end of the year came to €403 million and the amount drawn, to €213.5 million.
Banco Santander, S.A.	Compañía Española de Petróleos, S.A.	Commercial	Guarantees	The average risk for guarantees in 2008 amounted to €100.1 million, with a cost of €0.19 million. The risk came to €58.5 million euros at the end of the year, with a risk limit of €175 million euros.
Banco Santander, S.A.	Compañía Española de Petróleos, S.A.	Commercial	Banking services	The amount paid in the year, including commissions for the use of cards in the retail network, amounted to €6.4 million.
Banco Santander, S.A.	Compañía Española de Petróleos, S.A.	Commercial	Interest rate hedging	In 2008, no hedging transactions were carried out with regard to interest rates on long-term debt.

Name of Significant Shareholder	Group Company	Nature of Relationship	Type of Transaction	Amount
TOTAL, S.A.	Compañía Española de Petróleos, S.A.	Commercial	Purchases, sundry services and expenditures	Purchases amounting to €526.8 million; €2.6 million in sundry services and expenditures.
TOTAL, S.A.	Compañía Española de Petróleos, S.A.	Corporate	Acquisition of shares	€86.1 million for the acquisition of TOTAL's distribution activities in Portugal.
TOTAL, S.A.	Compañía Española de Petróleos, S.A.	Commercial	Sales, sundry services and revenues	Sales amounting to €251.8 million; €1.6 million in sundry services and revenues.
Unión Fenosa, S.A.	Compañía Española de Petróleos, S.A.	Commercial	Purchases, sundry services and expenditures	Purchases amounting to €50.5 million; €2.8 million in sundry services and expenditures.
Unión Fenosa, S.A.	Compañía Española de Petróleos, S.A.	Commercial	Sales, sundry services and revenues	Sales amounting to €21.4 million; €0.7 million in sundry services and revenues.

C.3. Provide a breakdown of the relevant transactions involving a transfer of resources or obligations between the Company or entities of its Group, and the Directors or Senior Managers of the Company.

None.

C.4. Provide a breakdown of the relevant transactions made by the Company with other companies belonging to its same Group provided they are not eliminated in the process of consolidation and are not part of the Company's routine business.

None.

C.5. Indicate whether any Directors were involved in any conflicts of interests during the year, as defined in Article 127.3 of the Companies Act.

None.

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C.6. List the mechanisms established to identify, determine and settle possible conflicts of interests between the Company and/or its Group and its Directors, Executive Managers or significant shareholders.

Article 31 of the Rules and Regulations of the Board of Directors states accordingly that: "Directors who accept any executive position in another company or entity that may pose a conflict of interest shall inform the Board of Directors through its Chairperson. The Directors shall refrain from participating in debates that involve matters in which they have a personal interest, either directly or indirectly. Personal interest shall also be understood to mean when the matter affects a member of the Director's family or a company controlled by the Director; personal interest shall not be understood to mean instances in which the matter affects the company that is a shareholder of the Company for whom the Director was named or group of companies to which such shareholder may pertain. No Director shall be able to personally undertake commercial operations with the Company, nor may he or she guarantee any operations that are arranged between the Company and third parties. He or she may, however, jointly engage in such operations with the Company vis-à-vis third parties and also take part in company operations. Directors who directly or indirectly engage in professional transactions that may involve a conflict of interest must notify the Board of Directors."

C.7. Is more than one company of the Group listed on Spain's Stock Exchanges?

No.

D. RISK-CONTROL SYSTEMS

D.1. Describe the general risk policies of the Company and/or Group, listing and evaluating the risks covered by the system, along with an explanation of the extent to which such systems are tailored to the profile of each type of risk.

The CEPSA Group's activities, due to their nature, are exposed to a series of external risks and factors that can affect the way operations are conducted and the results obtained thereof. These activities are managed through the implementation of policies that primarily seek to optimize the ratio between costs and covered risks, consistent with the strategy established by the Group's Executive Management.

As part of the planning and budgetary processes, the effects of business risks are assessed and a sensitivity analysis is made for key variables, in order to have a complete and comprehensive view of their impact on the Group.

Each year, CEPSA publishes a "Sustainability Report" that contains, among other matters, a broad and detailed description of the actions carried out by the CEPSA Group in social, economic and environmental areas and its contribution to sustainable development throughout the year. The 2007 Report was prepared following the G3 Guidelines of the Global Reporting Initiative (GRI).

D.2. Risks materialized during the year.

No material asset or equity losses occurred during the year. On the other hand, doubtful trade debts rose from the previous year although they still have not had any significant impact on the Company's accounts receivable and the appropriate allowances were made in this connection.

The implementation of ongoing improvements in risk control systems is enabling the Company to steadily reduce the frequency of accidents, particularly in the area of occupational safety, and noteworthy is that the frequency rate (number of lost-workday injuries for each million hours worked) fell from 4.94 at December 31, 2007, to 4.65 at the end of 2008, meaning a year-on-year decline of 5.9%.

D.3. Indicate whether there is any committee or other governing body in charge of establishing and supervising control mechanisms.

Yes.

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If so, provide an explanation of its duties and functions.

Name of committee or body.

The Executive Committee, Chief Executive Officer as well as Executive Managers of the different business divisions, regularly supervise and control risks, and adapt, wherever feasible, their profile to prevailing circumstances. In the area of Environmental Affairs, Safety and Quality, CEPESA's PA.S.CAL (Environmental Protection, Safety and Quality) Committee's basic function involves the periodic review of the CEPESA Group's environmental, occupational health and safety and quality management and its associated risks, proposing any needed changes or adjustments.

Description of duties and functions:

The CEPESA Group has established risk control systems that may affect the development of the Company's investments and activities and which are consistent with the Group's risk profile.

The key risks encompassed in the "Control System" are as follows:

Property and casualty risks:

The CEPESA Group is insured against risks involving material damages, including machinery failures and the control of crude exploration and production wells; injuries to workers from occupational accidents; loss of profit stemming from material damages; civil liability, both for the companies of the CEPESA Group as well as their employees in performing their jobs and arising from material damages or personal injuries; and loss or damage in the transportation of crude oil, products and equipment.

Customer credit risks:

The CEPESA Group has established a commercial credit and collection management policy, regulated through its "Internal Standards and Procedures" that are periodically updated, which include determining commercial credit limits for each customer; establishing the appropriate collection instruments; laying out procedures to follow in case of defaults; and monitoring and controlling assigned credit limits.

Furthermore, computerized risk analysis systems are used to globally manage and automate internal and external data, evaluating them by applying models established for classifying each customer's commercial credit risk and the assignment of their credit limit. Notwithstanding the above, insurance policies have been arranged to cover the risk of customer payment defaults in certain commercial areas.

Financial, exchange and interest rate risk:

The Group's activities, to varying degrees, are exposed to risks stemming from movements on financial markets.

The Company strives to maintain a sound financial and equity position and the appropriate risk controls to be able to successfully overcome challenging or shifting scenarios in the oil industry and global marketplace, and particularly to have the funds available to capitalize on future developments and attractive new business opportunities that will provide a springboard and momentum for further growth and yield significant long-term, sustainable value for its shareholders.

The Group's businesses are, to a large extent, sensitive to fluctuations in the exchange rate between the euro and the US dollar, which is the currency in which most crude oil and petroleum and chemical products are priced. The Group strives to minimize the impact of this exchange risk on commercial transactions carried out.

From an operational point of view, the Company centralizes and manages exchange risk from the net overall cash flow position in foreign currencies of all the Group's companies and likewise, manages transactions on financial markets for loans, investment of surplus funds or financial instruments.

In the case of foreign investments in fixed assets which generate future cash flow in foreign currencies, the Group seeks to minimize its exchange risk exposure by financing these capital expenditures in the same functional currency. In other words, its debt in foreign currencies to some extent covers the exchange risk exposure it has from cash flow generated by these assets.

The Company's activities are also sensitive to interest rate fluctuations. As a result, the Group has arranged most of its financial debt at a floating rate, since it considers that this will entail a lower cost over the long run.

In order to manage liquidity risks, the CEPSA Group maintains a level of current financial assets that will ensure it being able to handle its current financial liabilities. Furthermore, for any possible short-term cash needs that may arise, the Company maintains credit facilities, the unused balances of which bear no interest expense.

The CEPSA Group works with leading and highly-reputable Spanish and international financial entities, although it additionally analyzes the counterpart risk of negotiating investments and financial instruments.

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Industrial risks, and prevention and safety:

The CEPSA Group has a safety management system as stated in its “Risk Prevention Manual” and “Basic Regulations”. Likewise, it has established procedures to follow, reflecting industry-wide, generally-accepted best practices, that guarantee the highest possible levels of safety, paying special attention to the elimination of risks at source. The system in place is aimed at ongoing improvement in risk reduction, relying on a number of activities, such as work planning, analysis and monitoring of remedial actions related to incidents and accidents, internal auditing, routine inspections of facilities and supervision of maintenance and operational work.

Environmental risks:

Due to their industrial nature, some of the CEPSA Group’s operations generate environmental risks, such as those related to air emissions, water discharges or waste disposal, and are subject to a broad and varied set of regulations that have become increasingly more stringent over recent years.

As a preventive measure, all of the CEPSA Group’s major industrial facilities have environmental management systems, certified by an independent accrediting agency. One of its key priorities at this time is to certify the rest of the Group’s companies as early as feasible.

Accordingly, certain procedures are implemented in order to properly manage the aforementioned risks and control devices and networks are in place to gauge them, often in real time. Furthermore, the Company also assesses the probability and possible impacts from identified risks. Efforts are continually made to prevent risks where they may arise, planning the tasks that are needed to achieve optimum safety performance and ongoing improvement in risk-related areas. Accordingly, the UNE 15008 Ex standard for environmental risk evaluation and assessment, is being implemented in all of CEPSA’s refineries and petrochemical plants.

Key environmental risks and the general measures adopted to control them are the following:

- Air emissions – Internal management procedures are applied and measuring stations are used to control emissions, whose data are reported to the authorities in real time.
- Water discharges – Procedures are followed to manage these discharges; systems to control wastewater parameters are applied, whose data are provided to the authorities in real time; and measures are implemented to control the receptor medium, both as regards waters and sediments.

- Soils/Groundwater – All the Group's industrial plants have piezometer networks to monitor the condition of soils and groundwater, in order to avoid contamination risks.
- Crude oil exploration & production – In its upstream operations in Algeria, Colombia, Egypt and Peru, CEPSA applies stringent environmental principles, guidelines and strategies to minimize the impact of its activities.

The CEPSA Group may be a party to claims or litigation in connection with environmental damages caused by its activities both within and outside its sites and facilities. Although future costs are indeterminable, based on currently-available knowledge, Management feels that these contingencies are adequately covered with the accounting provisions created for such purposes and different kinds of liability insurance policies.

Additionally, a number of the Group's productive facilities are required to comply with regulations that affect greenhouse gas emissions. Both in 2007 and 2008, emissions from all the plants and units affected by this legislation, and which have been verified by AENOR, were lower than the volume of emission allowances assigned in the National Allocation Plan.

Market risks:

The very nature of the businesses engaged in by the CEPSA Group involves a certain degree of sensitivity to prevailing trends and volatility in oil and gas prices and refining and marketing margins. Accordingly, the Group's high level of vertical integration, strengthened in recent years, is one tool that can enable the Company to counteract and, if possible, override the cyclical nature of the oil industry and ease the effects this can have on one or another of the Group's different segments or areas.

For instance, an increase in crude oil prices has a positive impact on upstream earnings, even though the extent of this effect can be limited by the application of contractual terms and conditions under Production-Sharing Contracts (PSC) and their constraints on the amount of crude available for sale.

Fluctuations in the price of crude oil can likewise have an effect on refining and marketing operations, which is mostly determined by how swiftly these price changes can be passed along to international and local finished product markets.

As regards risks associated with price trends for crude oil and products on global markets, the CEPSA Group maintains and operates a comprehensive hedging system that insures it against the impact of price volatility and crude and

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product inventory variations as compared to a previously-defined level of inventory that is reviewed on a yearly basis covering the minimum strategic stock and operating requirements. These variations are hedged on the Brent IPE futures market, with forward sales offsetting surplus volumes of operating inventory, and forward purchases offsetting lower volumes of operating inventory.

Risks Related to Changes and Developments in Regulations Applicable to Petroleum-related Activities and/or the Oil Industry

The Group's businesses both in Spain and abroad are subject to a wide variety of laws and regulations. Any changes that may arise can affect these activities both in their structure and their earnings and results.

D.4. Identification and description of the processes of compliance with regulations that affect the Company and/or its Group.

The energy sector in which CEPSA conducts its businesses is basically governed by Hydrocarbons Act 34/1998 of October 7th; RDL 15/1999 of October 1st, approving measures to deregulate the market, implement structural reforms and increase competition in the oil and gas sector; RD 2.111/1994, of October 28th, establishing the Corporation of Strategic Reserves (CORES) and regulating the requirement to maintain minimum buffer stocks of petroleum products; RD 398/1996 of March 1st and subsequent regulations on automotive gasoline and diesel specifications; RDL 6/2000 of June 23rd which, among other measures, limits the maximum shareholding in the capital of Compañía Logística de Hidrocarburos, S.A. (CLH); Act 9/2006, of April 28th on the evaluation of the effects of certain environmental plans and programs; RD 61/2006 of January 31st setting gasoline, diesel, fuel oil and LPG specifications and regulating the use of certain bio-fuels and the sulfur content in specific marine fuels; RD 679/2006, of June 2nd, regulating used oils management; RD 777/2006 of June 23rd amending RD 1866/2004 of September 6th, which approves Spain's plan to assign emission trading rights for the 2005-2007 period; RD 1370/2006 of November 24th, which approves Spain's GHG emission trading allowances for 2008-2012; EU Council Decision of October 14, 2004, regarding the signature, on behalf of the European Community, of the Stockholm Convention on Persistent Organic Pollutants; European Directive 2008/1EC, passed by the European Parliament and Council on January 15, 2008, concerning integrated pollution prevention and control (IPPC); Act 26/2007 of October 23rd on environmental responsibility which transposes Directive 2004/35/EC of the European Parliament and Council of April 21, 2004 and RD 2090/2008 of December 22nd approving Regulations that partially develop the aforementioned Act.

In environmental matters, CEPSA has included the requisites of applicable legislation in its "Basic Environmental Regulations" and its "Internal Procedures". Noteworthy is that CEPSA has also implemented an environmental management system that has been certified according to ISO 14001 and EMAS standards by independent agencies which

in turn are accredited by the Spanish Ministry of Industry, Tourism and Commerce's ENAC (National Accreditation Bureau). As for petrochemicals in the CEPSA Group, the Company has voluntarily adhered to the Responsible Care® scheme, a proactive program put into practice by the worldwide chemical industry to demonstrate the strides made by leading businesses in the areas of health, safety and the environment, through associated codes and regulations.

With regard to occupational risk prevention, CEPSA has a set of "Basic Rules for Industrial and Occupational Risk Prevention" which apart from complying with legislation in this area, also include guiding principles and policies needed to achieve the highest standards of safety in its operations; the "Corporate Management Manual for the Prevention of Industrial and Occupational Risk Prevention"; and other action guidelines that guarantee solid safety performance in the entire productive process, from plant design to product marketing.

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E. SHAREHOLDER MEETINGS

E.1. Indicate and, where applicable, give details on whether there are any differences vis-à-vis the minimum requirements provided for in the Companies Act with the regard to quorums for holding Annual Meetings.

There are no differences vis-à-vis the minimum requirements set forth in the Companies Act.

E.2. Indicate, and where applicable, provide details on whether there are any differences compared to the system established under the Companies Act with regard to the adoption of corporate resolutions.

There are no differences compared to the system provided for in the Companies Act.

E.3. List the rights of shareholders with regard to Annual Meetings apart from those established in the Companies Act.

The Company Bylaws do not provide for any special shareholder rights apart from those already set out in the Companies Act.

E.4. Indicate, where applicable, the measures adopted to encourage shareholder participation at Annual Meetings.

The following measures, among others, have been adopted:

- To provide information on an ongoing basis through the Shareholder Service Office.
- To reply to requests that, in using their legally-recognized rights to information, shareholders make in writing in due time prior to the date of the AGM.
- To distribute, as of the time that the AGM notice is published, the annual report and any other legally-required information at the Company's head offices, its branch offices and in venues specifically arranged for this purpose.
- To provide proxy cards and electronic voting for all shareholders via the internet.
- To provide free parking at the venue of the AGM for shareholders who use their own vehicles.
- To offer a complimentary gift item to shareholders present in person or by proxy at the AGM.

E.5. State whether the Chairperson of the Annual Meeting is likewise the Chairperson of the Board of Directors. Explain, where applicable, any measures adopted to guarantee the independence and proper conduct of Annual Meetings.

The Annual Meeting is presided by the Chairman of the Board, whose actions shall comply with applicable legislation, the provisions of the Company Bylaws and the Rules and Regulations for Shareholder Meetings which describes the working procedures of the Annual Meeting.

Therefore, the independence and proper conduct of the AGM is deemed to be guaranteed.

E.6. State whether any amendments were introduced in the Rules and Regulations of Shareholder Meetings during the year.

None.

E.7. Provide attendance figures and data for Annual Meetings held in the year.

AGM Date	% of Shareholders Present in Person	% of Shareholders Represented by Proxy	% of Electronic Votes	% of Distance Votes	Total
June 27, 2008	63.3822	33.4134	0	0	96.7956

E.8. Briefly indicate the resolutions adopted in Annual Meetings held during the year and percentage of votes cast to adopt each resolution.

2008 Annual General Meeting of Shareholders (the only AGM held in the year):

June 27, 2008, on first call, in Madrid, Auditorium "B" of the Municipal Convention Center, Avda. de la Capital de España Madrid, s/nº (Campo de las Naciones), 28042 Madrid.

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Resolutions adopted:

Summary of Proposals Submitted to a Vote of Shareholders	Votes in Favor	Votes Against	Abstentions
To study and approve the 2007 Financial Statements and Management Discussion & Analysis for CEPESA and its Consolidated Group, as well as the Proposal for CEPESA's Profit Distribution and the Company's executive management.	258,999,538	1,200	0
To ratify the appointment of Saeed Al Mehairbi as a Director of the Company	258,793,647	207,091	0
To ratify the appointment of Humbert de Wendel as a Director of the Company	258,793,647	207,091	0
To re-elect Bernadette Spinoy as a Director of the Company	258,813,047	187,691	0
To re-elect Dominique de Riberolles as a Director of the Company	258,804,695	196,043	0
To reappoint Deloitte, S.L., for a one-year period, as the independent auditors to examine and review the 2008 financial statements for CEPESA and its Consolidated Group	258,998,181	0	2,557
To delegate powers to the Board of Directors, or the person or persons on the Board that it may so designate, to notarize the resolutions passed at the Annual Meeting by a public deed.	259,000,738	0	0

E.9. State the minimum number of shares, if any, needed to attend Annual Meetings and whether there are any restrictions on such attendance in the Bylaws.

Article 23 of the Company Bylaws states that the right of admission to the Annual Meeting shall be granted to all shareholders who can demonstrate ownership of a minimum of sixty (60) shares, at least five (5) days prior to the scheduled date of the Annual Meeting on first call. All shares have the same voting rights (each share is entitled to one vote).

E.10. Indicate and explain the policies pursued by the Company with regard to proxy voting at Annual Meetings.

The admission tickets for the AGM include the items on the Agenda and the voting instructions for each one of them. The Company applies what is provided for in Article 25 of its Bylaws and Article 13 of the Rules and Regulations of Shareholder Meetings, which state that shareholders may appoint other shareholders to represent their shares, and such proxy holders should be able to cast not only the votes they are entitled to, but also those of the shareholders they are representing. Proxies shall be appointed specifically for each Annual Meeting and must be authorized in writing or by the means of remote communication that comply with the requisites contained in the aforementioned articles.

E.11. State whether the Company is aware of the policies of institutional investors with regard to their involvement or non-involvement in corporate decisions.

No, the Company is unaware of any such involvement.

E.12. State the address and means of access to corporate governance contents on the Company's website.

The Corporate Governance Report can be obtained either directly at the AGM, by requesting it via postal mail from the Shareholder Service Office, CEPSA, Avenida del Partenón 12, 28042 Madrid, by calling the toll-free telephone number 900 10 12 82, by e-mail at oficina.accionista@cepsa.com, or by logging on to the Company's website at "www.cepsa.com", "information for shareholders", "corporate governance", "Corporate Governance Report", <http://www.cepsa.com/informegobiernocorporativo-eng/index.htm>.

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F. LEVEL OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Recommendation 1.- The Bylaws of listed companies should not impose an upper limit on the votes that can be cast by a single shareholder, or impose other restrictions that could hinder the takeover of the Company by means of share purchases on the securities market.

The Company complies with this recommendation.

Recommendation 2.- Whenever a parent and its subsidiary company are listed on the Stock Exchange, both should clearly define:

- a) The type of business or activity they each engage in and any business dealings between them, as well as between the subsidiary and other group companies.
- b) The mechanisms in place to ultimately settle possible conflicts of interest.

Not applicable.

Recommendation 3.- Even when mercantile legislation does not expressly require it, any decisions involving a structural or corporate change in the Company should be submitted to the Annual General Meeting for approval, particularly the following:

- a) The transformation of listed companies into holding companies through the process of “subsidiarization”, i.e., reassigning to subsidiaries core activities that were previously carried out by the originating firm, even though the latter retains full control of the former;
- b) The acquisition or sale of key operating assets, whenever this would effectively alter the corporate purpose;
- c) Transactions that effectively add up to the Company's liquidation.

The Company complies with this recommendation.

Recommendation 4.- Detailed proposals of the resolutions to be adopted at the Annual Meeting, including information referred to in Recommendation 28, should be disclosed and made available at the same time as the publication of the AGM notice.

The Company complies with this recommendation.

Recommendation 5.- Separate votes should be cast at the AGM on materially separate issues, so that shareholders may express their preferences in each case. This rule should particularly apply in the following cases:

- a) The appointment or ratification of directors, with separate voting on each candidate;
- b) In the case of amendments to the Bylaws, each article or groups of articles that are materially separate should be voted on individually.

The Company complies with this recommendation.

Recommendation 6. - Companies should allow split votes so that brokers or custodians who are shareholders of record and but act on behalf of different clients can issue their votes according to the instructions of such clients.

The Company complies with this recommendation.

Recommendation 7. - The Board of Directors should perform its duties with unity of purpose and independent judgment, affording all shareholders the same treatment and consideration. It should be guided at all times by the Company's best interests and accordingly, strive to maximize its value over time.

It should likewise ensure that the Company abides by applicable laws and regulations in its dealings with stakeholders; fulfils its obligations and covenants in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has voluntarily adhered to.

The Company complies with this recommendation.

Recommendation 8.- The Board's core mission should be to approve the Company's strategy and the organization needed for its implementation, as well as to oversee and ensure that Management meets the designated goals and objectives and pursues the Company's interests and corporate purpose. Accordingly, the Board should fully reserve to itself the rights and powers to approve:

- a) The policies and strategies of the Company and in particular:
 - I) The strategic or business plan, as well as annual management and budgetary targets;
 - II) Investment and funding policies;
 - III) The definition of how the companies of the Group should be structured;
 - IV) Corporate governance policies;
 - V) Corporate social responsibility policies;
 - VI) Executive management compensation and performance appraisal policies;

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VII) Risk control and management policies, as well as the periodical monitoring of internal information and control systems.

VIII) Dividend pay-out and treasury stock policies, in particular with regard to their limits.

b) The following decisions:

- I) At the proposal of the Company's chief executive officer, the appointment and possible removal of executive managers, as well as their severance conditions;
- II) Directors' compensation, and any additional compensation to executive directors for their executive duties and responsibilities and other terms and conditions included in their contracts;
- III) Financial information that the Company, as a listed company, is required to disclose;
- IV) Any and all kinds of investments and/or transactions that, due to their amount or special features, may be regarded as strategic, except where the AGM is specifically entrusted with the task of approving them;
- V) Creation or acquisition of shares in special-purpose entities or with registered offices in countries or territories considered to be tax havens, as well as any other transactions or operations of a similar kind whose complexity may jeopardize or undermine the Group's transparency.

c) Transactions between the Company and its directors, its significant shareholders and/or shareholders with Board representation, or parties related to them ("related-party transactions").

Nevertheless, this Board authorization may not be required in related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard contracts applied on an across-the-board basis to a large number of clients and customers;
2. They are made at market rates that are generally set by suppliers of goods and services;
3. They are worth less than 1% of the Company's yearly revenues.

The aforementioned powers assigned to the Board may not be delegated with the exception of those mentioned in b) and c), which may be delegated to the chosen Committee in urgent cases and subsequently ratified by the Board in a plenary meeting.

The Company does not comply with this recommendation.

However, Article 32 of the Company Bylaws provides a detailed list of the duties and responsibilities assigned to the Board of Directors.

Recommendation 9. – The Board of Directors should be the right size to make it work effectively and encourage the greatest participation of its members, and therefore it would be advisable to have no less than five and no more than fifteen members.

The Company does not comply with this recommendation.

The Company Bylaws stipulate that the Board of Directors shall have a number of members ranging from a minimum of 10 to a maximum of 30, with 19 being the number of Directors at year-end 2008, as approved by the Annual Meeting.

The permanent delegation of powers to an Executive Committee made up of 6 Directors who meet practically once a month, a delegation that includes all the powers assigned to the Board, except those that are non-transferable by law or the Company Bylaws, allows for greater effectiveness and agility in the working procedures of this governing body. By means of the aforementioned delegation, the Board of Directors, whose periodic meetings do not take place with the same frequency, taking into account the different nationalities of its members, is duly informed by the Executive Committee of all the resolutions and proposals made therein.

Recommendation 10.– In the Board's composition, non-executive shareholder-representative and independent directors should represent a broad majority of the Board members and the number of executive directors should be the minimum required, consistent with the complexity of the corporate Group and the percentage of the share capital held by executive directors.

The Company complies with this recommendation.

Recommendation 11. – If there are any non-executive directors who cannot be classified as shareholder representative or independent, the Company should explain the reasons thereof and their ties with either the Company, its executive managers and/or its shareholders.

Not applicable.

Recommendation 12.– Among non-executive directors, the ratio between shareholder representative and independent directors should reflect the existing proportion between the share capital represented by shareholder-representative directors and the remaining share capital.

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The strict interpretation of this principle of proportionality may be relaxed so that the percentage of shareholder representative directors is in fact greater than what would strictly correspond to the total percentage of capital they represent, in the following cases:

1. In large-cap companies where few or no equity holdings attain the legal threshold for being considered significant shareholdings, despite the considerable sums actually invested.
2. Whenever this involves companies in which a plurality of shareholders are represented on the Board but such shareholders otherwise have no ties among them.

The Company complies with this recommendation.

Recommendation 13. – Independent directors should account for at least one third of the total number of Board members.

The Company does not comply with this recommendation.

At December 31, 2008, the Company had 4 independent directors, out of a total of 19 members, meaning 21% of total Board members. This ratio may be assumed to be reasonable if we bear in mind that more than 94% of the share capital is directly or indirectly held by 4 shareholders with Board representation.

Recommendation 14. – The Board should explain the type of each directorship to the Annual Meeting of Shareholders requested to appoint these directors or ratify their appointment. This should be confirmed or reviewed on a yearly basis in the Corporate Governance Report, after being verified by the Nominations Committee. This report should likewise disclose the reasons for the appointment of shareholder representative directors at the request of shareholders whose stake in the Company's share capital is less than 5%; and it should furthermore explain the reasons for rejecting, where applicable, formal requests for Board presence made by shareholders whose equity stakes are equal to or greater than those of others who were indeed granted shareholder-representative directorships.

The Company complies with this recommendation.

Recommendation 15.– If there are few or no female directors, the Board should explain the reasons thereof and the initiatives taken to remedy this situation, and in particular, the Nominations Committee should take the proper steps to ensure that, whenever vacancies arise:

- a) The selection process for filling such vacancies has no hidden gender bias;

b) The Company makes a conscientious and deliberate effort to include women candidates who meet the desired professional background and requisites.

The Company partially complies with this recommendation.

There is one female director serving on CEPSA's Board, accounting for 5.2% of the total of 19 members. The Executive Committee likewise has one female director, which represents 16.6% of the total of 6 members.

Recommendation 16. - The Chairperson, who is responsible for ensuring that the Board runs smoothly and efficiently, should strive to guarantee that all the Board members receive sufficient information prior to the meetings; encourage the directors to engage in discussion and actively participate in the meetings, safeguarding their freedom to take a stand on the issues brought before them and to express their opinions; and organize and coordinate regular and timely evaluations of the Board, or where appropriate, of the Company's Chairman or Chief Executive Officer, with the chairpersons of the respective Board sub-committees.

The Company partially complies with this recommendation.

As regards the periodic evaluation of the Board, taking into account the high caliber, expert background and extensive knowledge of all the Board members, the Company believes that there is no need to carry out a yearly performance appraisal of either the Board, the Chairperson or the CEO.

Recommendation 17. - Whenever the Chairperson of the Board is also the Company's chief executive officer, one of the independent directors should be authorized to request that a Board meeting be summoned or to include new items on the agenda; coordinate and voice the concerns of non-executive directors and oversee the Board's evaluation of its Chairperson.

Not applicable.

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Recommendation 18. – The Board Secretary should do his or her best to ensure that the Board's actions:

- a) Abide by the spirit and letter of the law and their enforcing regulations, including those issued by regulatory agencies;
- b) Meet the provisions of the Corporate Bylaws and the Rules and Regulations for Shareholder Meetings, the Board of Directors and any others that the Company may have;
- c) Keep in mind any recommendations on good corporate governance contained in this Unified Code that the Company has adhered to.

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nominations Committee and approved by the Board in a plenary meeting; and furthermore, the appointment and removal procedure should clearly be specified in the Rules and Regulations of the Board of Directors.

The Company partially complies with this recommendation.

The Board is currently reviewing the possible inclusion of a procedure to appoint and remove the Secretary in the Rules and Regulations of the Board of Directors.

Recommendation 19. – The Board should meet as frequently as needed to properly carry out its functions, following a pre-established schedule of meetings and issues drawn up at the beginning of the year, allowing each director to propose the inclusion of additional unforeseen items on the agenda.

The Company complies with this recommendation.

Recommendation 20. – Non-attendance at Board meetings should be limited to strictly unavoidable circumstances and should be specified in the Annual Corporate Governance Report. Whenever proxies are required, they should be granted with the proper voting instructions.

The Company complies with this recommendation.

Recommendation 21. – Whenever the Secretary or directors express concerns about a specific proposal or, in the case of directors, on the progress of the Company and such concerns are not resolved within the Board, the person expressing them may request that they be recorded in the minutes.

The Company complies with this recommendation.

Recommendation 22. – The Board, in a plenary meeting, should evaluate the following points on a yearly basis

- a) The quality and efficiency of the Board's stewardship;
- b) Based on a report submitted by the Nominations Committee, how well the Chairman and Chief Executive Officer have carried out their duties;
- c) The performance of the sub-committees on the basis of the reports provided by such committees.

The Company does not comply with this recommendation.

Given the high caliber, expert background and knowledge and qualifications of all the Board members, the Company believes that a yearly performance appraisal of the Board is unwarranted.

Recommendation 23. – All directors should be able to exercise their rights to receive any additional information they require on matters that come under the Board's authority. Unless the Bylaws or Board regulations determine otherwise, such requests should be addressed to the Chairperson or the Secretary.

The Company complies with this recommendation.

Recommendation 24. – All the directors should be entitled to rely on the Company for the counsel and guidance needed to perform their duties. Furthermore, the Company should provide the suitable channels for the directors to exercise this right, which under special circumstances may include external counsel or assistance at the Company's expense.

The Company partially complies with this recommendation.

According to the Rules and Regulations of the Board of Directors, only the Audit Committee and the Nomination and Compensation Committee are entitled to request this external counsel and assistance.

Recommendation 25. – The Company should establish an induction program to familiarize new Directors with the firm, and its corporate governance rules, as promptly and broadly as possible. The Company should also offer its directors refresher or professional development programs whenever circumstances so advise.

The Company complies with this recommendation.

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Recommendation 26.- Companies should require Directors to dedicate sufficient time and effort to their Board duties in order to ensure they are performed effectively and therefore:

- a) Directors should inform the Nominations Committee of their other professional obligations, in case these interfere with the dedication and commitment required for their duties on the Company's Board;
- b) Companies should lay down rules on the number of Boards their directors are allowed to serve on.

The Company does not comply with this recommendation.

Given the commitment and dedication of all the Board members, the Company believes that establishing rules to limit the number of Boards they can serve on is unwarranted.

Recommendation 27.- The proposal to appoint or re-elect Directors submitted to the Annual Meeting by the Board, as well as provisional appointments by co-option, should be approved by the Board:

- a) Upon proposal by the Nominations Committee with regard to independent directors.
- b) On the basis of a report from the Nominations Committee in the case of the remaining Board members.

The Company complies with this recommendation.

Recommendation 28.- The Company should make the following information on its Directors available on its website and keep it permanently updated:

- a) Professional and biographical background;
- b) Other Boards on which they serve, whether or not they belong to listed companies;
- c) An indication as to whether the directorship is executive, shareholder representative or independent, stating, in the second case, the shareholder which they represent and to whom they are affiliated;
- d) The date of their first and subsequent appointments, and;
- e) Shares and/or share options held in the Company.

The Company complies with this recommendation.

Recommendation 29.- Independent Directors should not serve as such for more than 12 consecutive years.

The Company complies with this recommendation.

Recommendation 30.- Shareholder representative directors should resign whenever the shareholders they represent sell their entire stake in the Company. In the event that such shareholders reduce their stakes, the number of shareholder representatives they are entitled to should likewise be reduced in the same proportion

The Company complies with this recommendation.

Recommendation 31.- The Board of Directors should not propose the removal of any independent director prior to the completion of his or her term of office as specified in the Bylaws, except where just cause is determined by the Board, based on a report from the Nominations Committee. In particular, just cause will be presumed whenever the Director is in breach of his or her fiduciary duties or has engaged in any of the circumstances listed in section III.5 (Definitions) of this Code.

The removal of independent directors may also be proposed whenever takeover bids, mergers or similar corporate transactions lead to changes in the shareholding structure of the Company, in order to meet the proportionality criteria set out in Recommendation 12.

The Company complies with this recommendation.

Recommendation 32.- Companies should establish rules requiring directors to inform the Board, and where applicable, resign under any circumstances that may jeopardize the credibility and good standing of the Company and in particular, require that they report any criminal charges brought against them, and the status of any subsequent court or legal proceedings.

If a director is indicted or brought to trial for any of the crimes stated in Article 24 of the Corporations Act, the Board should examine the matter as promptly as possible, and depending on the particular circumstances, decide whether or not he or she should be called on to resign. The Board should also reasonably disclose all such decisions in the Annual Corporate Governance Report.

The Company complies with this recommendation.

Recommendation 33. - All directors should clearly express their disagreement or disapproval whenever they believe that a proposed resolution submitted to the Board may go against the Company's best interests. In particular, independent and other directors unaffected by the conflict of interest should challenge any decision that may go against the interests of shareholders not represented on the Board.

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Whenever the Board adopts significant or reiterated resolutions on issues on which a director has expressed serious concerns or reservations, said director should draw the pertinent conclusions and if he chooses to resign over such a matter, he should explain the reasons for leaving in a letter, as referred to in the following recommendation.

This recommendation should also be applicable to the Secretary of the Board, even if he or she does not hold a directorship.

The Company complies with this recommendation.

Recommendation 34.- If directors leave their office before the end of their term, they should explain the reasons thereof in a letter sent to all the Board members. Notwithstanding the publication of such resignation as a significant event, the reasons for the resignation must be disclosed in the Annual Corporate Governance Report.

The Company complies with this recommendation.

Recommendation 35.- The Company's compensation policy, as approved by the Board, should specify at least the following points:

- a) Amount of fixed components, with a breakdown, where applicable, of Board and sub-committee meeting attendance fees, and an estimate of the associated fixed yearly pay for board members;
- b) Performance-related components, including, in particular:
 - I) The types of directors to which they apply, as well as an explanation of the ratio of variable-to-fixed pay components;
 - II) Performance appraisal criteria to calculate an entitlement to the award of shares, share options or any other performance-related components;
 - III) Key parameters and grounds for any yearly bonus schemes or other non-cash benefits or perquisites; and
 - IV) An estimate of the sum total of variable payments arising from the proposed compensation policy, based on the level of compliance with pre-set targets or benchmarks.
- c) Key features of pension and insurance schemes (for example, supplementary pensions, life insurance plans and other arrangements), with an estimate of their total amount or equivalent yearly cost;

d) Conditions that the employment contracts of executive directors and senior managers must honor, including:

- I) Duration;
- II) Notification periods; and
- III) Any other clauses regarding hiring bonuses, as well as compensation or golden parachute clauses due to early termination or rescission of the contractual relationship between the Company and the executive director.

The Company does not comply with this recommendation.

Compensation policies are determined and proposed by the Nomination and Compensation Committee and approved by the Board of Directors.

Recommendation 36. – Compensation involving awards of stock in the Company or companies of the Group, option awards or share-based incentives, non-equity incentive plans or pension/retirement schemes should be strictly limited to executive directors.

Share awards are excluded from this limitation whenever directors are required to maintain them until the end of their term of office.

Not applicable.

Recommendation 37.– Non-executive directors' remuneration should sufficiently compensate them for their commitment and dedication, qualifications and the responsibilities involved in the performance of their duties, but not be so high as to compromise their independence.

The Company complies with this recommendation.

Recommendation 38.– In the case of performance-based pay or incentive plans, deductions should be calculated for any possible qualifications contained in the independent auditors' report that may reduce earnings.

The Company complies with this recommendation.

Recommendation 39.– In the case of variable or earnings-based pay, compensation policies should include technical safeguards to ensure that they reflect the professional performance of the beneficiaries and not just the general progress of the markets or the Company's sector, or other similar circumstances.

The Company complies with this recommendation.

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Recommendation 40. - The Board should submit a report on the directors' compensation policy to the consultative vote of the Annual Meeting, as a separate item on the agenda. This report should be made available to shareholders either separately or in any other manner the Company deems advisable.

The aforementioned report should focus on the compensation policy the Board has approved for the current year, with reference, as the case may be, to the policy planned for future years. It will address all the issues referred to in Recommendation 35, except those cases that may involve the disclosure of commercially-sensitive information. It should also highlight the most significant changes in the Company's compensation policy compared to the previous year and include a broad summary of how the policy was applied over the year concerned.

The Board should also report to the Annual Meeting on the role of the Nominations Committee in designing the policy and if outside counsel was sought, the identity of the external advisors or consultants hired for such purposes.

The Company does not comply with this recommendation.

The directors' compensation policy is established by the Nomination and Compensation Committee within the limits set forth in the Company Bylaws.

The itemized compensation components, attendance fees and bylaw stipulated fees, are provided in this Corporate Governance Report and made available to all shareholders.

The Executive Director's compensation is likewise determined by the Nomination and Compensation Committee and its components are included in this Corporate Governance Report for shareholders' information.

Taking into account that over 94% of the Company's share capital is represented on the Board of Directors, in addition to 4 independent directors, the submission of a report on the directors' compensation policy to a vote of the Annual Meeting is deemed to be unwarranted.

Recommendation 41.– The Notes to the Financial Statements should list the individual compensation packages for Directors during the year, including:

- a) Individualized breakdown of each Director’s compensation, in particular:
 - I) Attendance fees and other fixed payments associated with directorships;
 - II) Additional compensation for acting as Chairperson or member of a Board Committee;
 - III) Any payments made under profit-sharing schemes or bonuses and the reason for granting them;
 - IV) Contributions on behalf of Directors to defined-contribution pension plans, or any increase in directors’ vested rights in the case of contributions to defined benefit schemes;
 - V) Any severance packages agreed or paid out;
 - VI) Any compensation they receive as directors of other group companies;
 - VII) Compensation received by executive directors in conjunction with their senior management positions;
 - VIII) Any kind of compensation other than those listed above, regardless of its nature or the company making such payment, especially when it is considered a related-party transaction or when its omission would detract from a true and fair view of the total compensation received by the Director.

- b) A breakdown of shares, stock options or share-based incentives awarded in the year to the directors, itemized by:
 - I) Number of shares or options awarded in the year, and the terms set for exercising the options;
 - II) Number of options exercised in the year, specifying the number of shares involved and the executed price;
 - III) Number of options outstanding at year-end, specifying their price, date and other exercise conditions;
 - IV) Any change in the year in the exercise terms of previously-awarded options.

- c) Information on the relationship in the previous year between the compensation awarded to executive directors and the Company’s earnings or any other performance measure.

The Company does not comply with this recommendation.

The Company considers that the grouped information given in both the Annual Report and the Annual Corporate Governance Report on Directors’ compensation is sufficient enough for shareholders to be apprised of what compensation Board members receive, and that there is no need for an individualized disclosure.

Recommendation 42. – In cases in which the Company has an Executive Committee, the breakdown of its members by director category should reflect that of the Board, and the Board’s Secretary should act as this Committee’s Secretary.

The Company does not comply with this recommendation.

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Taking into account that four of the Company's core shareholders (TOTAL. S.A, Banco Santander, S.A., International Petroleum Investment Company and Unión Fenosa, S.A.) represent over 94% of CEPESA's share capital, and that the fundamental goal of any director is to seek out the best interest of the Company, CEPESA feels that it is not warranted, for purposes of not encumbering this Committee with a higher number of members when holding meetings of this body, to have independent directors serve on the Executive Committee, since the interests of minority shareholders are more than sufficiently protected by the current members of this Committee.

Recommendation 43.- The Board should be kept fully apprised of the business transacted and resolutions adopted by the Executive Committee and all of the Board members should receive copies of the minutes of Executive Committee meetings.

The Company complies with this recommendation.

Recommendation 44. - In addition to the mandatory existence of an Audit Committee, pursuant to the Securities Market Act, the Board of Directors should form a committee, or two separate committees, for Nominations and Compensation.

The rules governing the composition and working procedures of the Audit Committee and the Nomination and Compensation Committee should be set forth in the Rules and Regulations of the Board of Directors, and include the following:

- a) The Board should appoint members of such committees taking into account the background, expertise and experience of its directors and the duties and responsibilities of each Committee; discuss their proposals and reports; and oversee and evaluate their work, reporting back to the first full Board meeting held thereafter;
- b) Such committees should be exclusively made up of non-executive directors, having a minimum of three members. Executive directors or senior managers may also attend meetings at the express invitation of the committees;
- c) Committees should be chaired by an independent director;
- d) They may engage outside experts or consultants whenever they feel this is necessary for the performance of their duties;
- e) Meeting proceedings should be recorded in the minutes and sent to all the Board members.

The Company partially complies with this recommendation.

The Board of Directors has set up an Executive Committee, Audit Committee and Nomination and Compensation Committee from among its members, with the working procedures and powers provided for in Articles 16 to 18 of the Rules and Regulations of the Board of Directors. The aforementioned Committees are composed mostly (Executive Committee and Nomination and Compensation Committee) or entirely (Audit Committee) of non-executive directors. The Chairman of the Nomination and Compensation Committee is an independent director.

Recommendation 45.- The task of overseeing compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination and Compensation Committee, or if they exist separately, the Compliance or Corporate Governance Committees.

The Company does not comply with this recommendation.

The possibility of expanding the powers and authorities of the Audit Committee or the Nomination and Compensation Committee is currently under review.

Recommendation 46. - The members of the Audit Committee, particularly its Chairperson, should be appointed taking into consideration their knowledge and background in accounting, auditing and risk management.

The Company complies with this recommendation.

Recommendation 47. - Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

The Company complies with this recommendation.

Recommendation 48. - The internal audit manager should present an annual work program to the Audit Committee, directly report on any incidents arising during its implementation and submit an activities report at the end of each year.

The Company complies with this recommendation.

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Recommendation 49. - The control and risk management policy should at least specify:

- a) The different types of risks (operational, technological, financial, legal, reputational...) faced by the Company, including, with regard to financial or economic risks, the contingent liabilities and other off-balance-sheet risks;
- b) The levels of risk that the Company considers acceptable;
- c) The measures established to mitigate the impact of identified risks, should they actually materialize;
- d) The internal control and reporting systems that will be applied to oversee and manage these risks, including contingent liabilities and off-balance-sheet risks.

The Company complies with this recommendation.

Recommendation 50. - The Audit Committee's role and sphere of influence should be:

1) With regard to internal control and reporting systems:

- a) To supervise the preparation and integrity of the financial information for the Company, and, where applicable, its group of companies, reviewing compliance with regulatory requirements and legal provisions, the scope of the consolidation perimeter and the correct application of accounting principles.
- b) To periodically review the internal control and risk management systems so that key risks can be properly pinpointed, managed and reported on.
- c) To ensure the independence and efficacy of internal audit; propose the selection, appointment, re-election and, where applicable, removal of the internal audit manager; propose a budget for the internal audit service; receive periodic information on its activities; and ensure that senior management is aware of the conclusions and recommendations contained in such reports;
- d) To establish and supervise a "whistle-blowing" mechanism that allows employees to confidentially, and if considered appropriate, anonymously report any irregularities they notice within the Company that may be of potential importance, especially financial and accounting irregularities.

2) With regard to the independent auditors:

- a) To submit to the Board proposals for selection, appointment, re-appointment and replacement of the independent auditors and the terms and conditions of their engagement;
- b) To regularly receive information from the independent auditors on the audit plan and the progress and outcome of its execution, verifying that senior management is duly aware of its recommendations.

- c) To ensure the independence of the external auditors and accordingly:
- I) To ensure that the Company reports any change in the auditing firm to the Spanish Securities Market Commission (CNMV), accompanied by a statement on the possible existence of discrepancies that may have arisen with the outgoing auditing firm, and if so, the reasons thereof.
 - II) To ensure that the Company and the independent auditors respect and honor prevailing standards on the provision of non-auditing services, the limits on the focus of the auditors' business, and generally speaking, any other existing standards aimed at guaranteeing the auditors' independence;
 - III) To examine the circumstances leading to the resignation, where applicable, of the independent auditors, if this should happen.
- d) In the case of groups of companies, to help the group auditors take charge of the audits of the companies belonging to the group.

The Company partially complies with this recommendation.

With regard to item 1.d on establishing a "whistle-blowing" mechanism that allows employees to report any irregularities they notice within the Company that may be of potential importance, the possibility of implementing this in the CEPSA Group is being studied.

Recommendation 51.- The Audit Committee should be entitled to meet with any of the Company's employees or senior managers, and to summon them without the presence of another senior manager.

The Company complies with this recommendation.

Recommendation 52.- The Audit Committee should provide information on the following items referred to in Recommendation 8 prior to any related resolutions passed by the Board:

- a) The financial information that the Company, as a publicly-traded company, must disclose periodically. The committee should ensure that interim financial statements are prepared using the same accounting principles as the yearly statements and, accordingly, may ask the independent auditors to conduct a limited review.
- b) The creation or acquisition of shares in special-purpose entities or entities with registered offices in countries or territories regarded as tax havens, and any other similar transactions or operations whose complexity could jeopardize the group's transparency.
- c) Related-party transactions, except in cases in which their review has been entrusted to another supervision and oversight committee.

The Company complies with this recommendation.

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Recommendation 53.– The Board of Directors should strive to avoid having the financial statements that it formulates be presented to the Annual Meeting with reservations or qualifications in the auditors’ report; otherwise, both the chairperson of the Audit Committee and the auditors should provide a clear explanation to shareholders on the nature and extent of such reservations or qualifications.

The Company complies with this recommendation.

Recommendation 54. – The majority of the members of the Nominations Committee – or Nomination and Compensation Committee, as the case may be – should be independent directors.

The Company does not comply with this recommendation.

CEPSA’s Nomination and Compensation Committee is composed of one independent director who acts as Chairperson and two members who are the Vice-Chairmen of the Company and are non-executive shareholder representative directors.

Recommendation 55.– The Nominations Committee should have the following duties in addition to those set out in foregoing recommendations:

- a) Evaluate the skills, knowledge and experience required on the Board, define the roles and capabilities required of the candidates to fill each vacancy accordingly and decide on the time commitment and dedication needed for them to properly carry out their duties;
- b) Examine or plan, in the manner deemed advisable, the succession of the Chairperson and Chief Executive Officer, and where applicable, make proposals to the Board so that such succession takes place in an orderly and well-planned way;
- c) Report on appointments and removals of senior managers as proposed to the Board by the Chief Executive Officer;
- d) Inform the Board on gender-diversity issues as explained in Recommendation 14 of this Code.

The Company complies with this recommendation.

Recommendation 56.- The Nominations Committee should consult with the Chairperson and Chief Executive Officer, especially with regard to matters involving executive directors.

Any Board member may ask the Nominations Committee to consider potential directorship candidates to fill vacancies arising on the Board.

The Company complies with this recommendation.

Recommendation 57.- The Compensation Committee should have the following duties in addition to those listed in foregoing recommendations, namely:

- a) To make proposals to the Board of Directors regarding:
 - I) Compensation policies for directors and senior managers;
 - II) Additional compensation and other contractual conditions for executive directors;
 - III) Basic contractual conditions for senior managers.
- b) To oversee compliance with the compensation policies set by the Company.

The Company complies with this recommendation.

Recommendation 58.- The Compensation Committee should consult with the Company's Chairperson and Chief Executive Officer, especially in connection with matters involving executive directors and senior managers.

The Company complies with this recommendation.

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G. OTHER INFORMATION OF INTEREST

List and explain the contents of any relevant principles or aspects of corporate governance applied by the Company that has not been covered in this report.

This section may include any other relevant information, clarification or particularity related to previous sections of the report, insofar as they are significant and not reiterative.

Specifically indicate whether the Company is subject to corporate governance legislation applicable in countries other than Spain and, if so, include the mandatory information to be disclosed whenever this is different from what is required in this report.

In corporate governance matters, CEPESA is strictly subject to the laws of Spain.

Binding definition of Independent Director:

Indicate whether any of the Independent Directors has or has had any material relationship with the Company, its significant shareholders and/or its executive or senior managers, as defined in section 5 of the Unified Code of Good Governance, that may compromise or influence his or her independence in the discharge of his or her duties:

No.

This Corporate Governance Report has been approved by the Company's Board of Directors at its meeting held on March 24, 2009.

This Report has been unanimously approved by all the Board members present in person or by proxy. None of the members abstained or voted against its approval.

Madrid, March 24, 2009

