



## Corporate governance and transparency

Eduardo García  
Director, Corporate Responsibility  
Repsol YPF



A corporate world

- Our economic model is based on **companies as creative agents of wealth**, individual and collective.
- Opening of markets and competition have resulted in **companies which are indispensable** to address some of the **greatest challenges** in our century.
- **James Wolfensohn**, former President of the World Bank:  
*“ Good corporate governance is as important in the world economy as the government of countries”.*
- It is reasonable to establish **guidelines** that strengthen the **continuity** of companies in time and that prevent the **risks of dysfunction**.



**REPSOL**

## New corporate paradigm

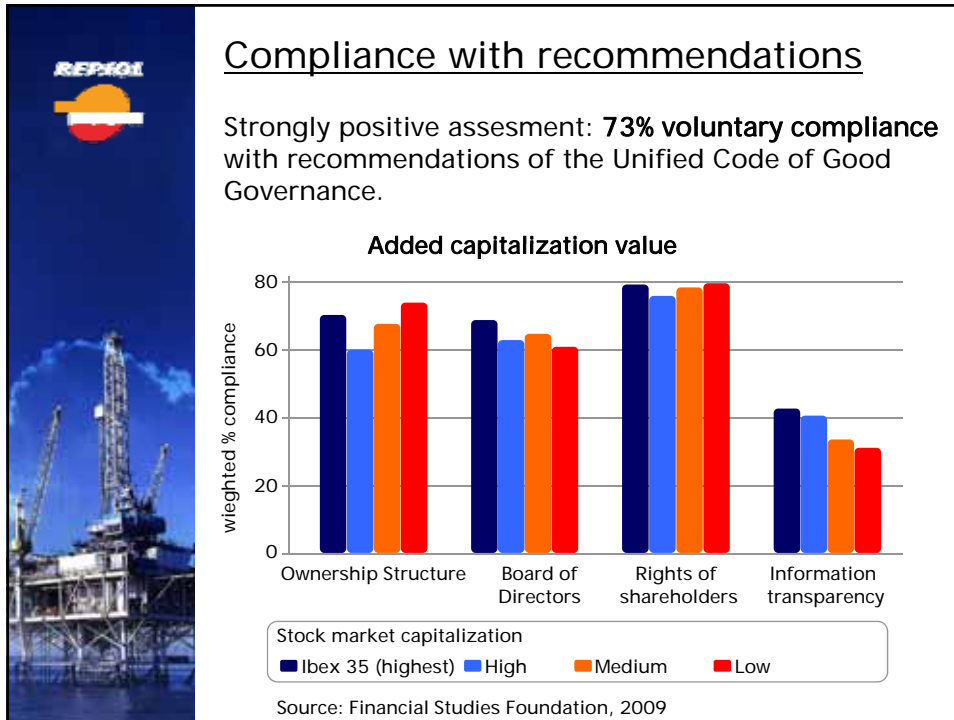

- Start of a transition: from **economicism** to **humanism**.
- **Corporate responsibility**: extended **voluntary** regulation of the **effects** of our activity **beyond** what is **legally enforceable**.
- **Good corporate governance** may consider to be **included** in this concept:
  - **Transmission** of true, comparable information.
  - **Safeguard of the owner's interests**.
  - **Intervention system** if the company's management bodies do not act adequately.



**REPSOL**

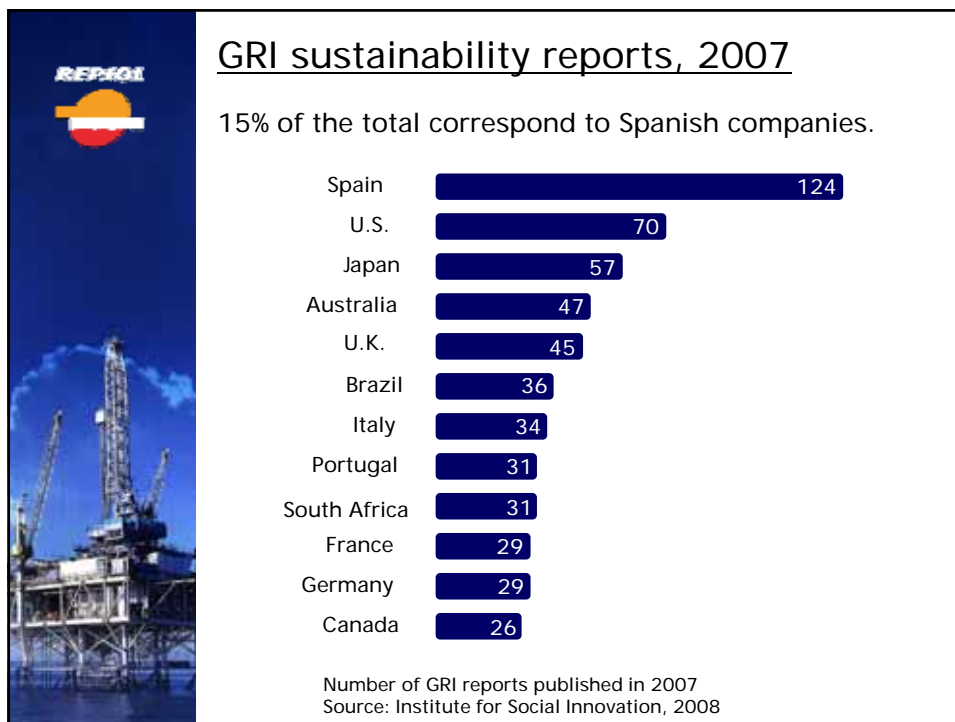
## Good corporate governance in Spain

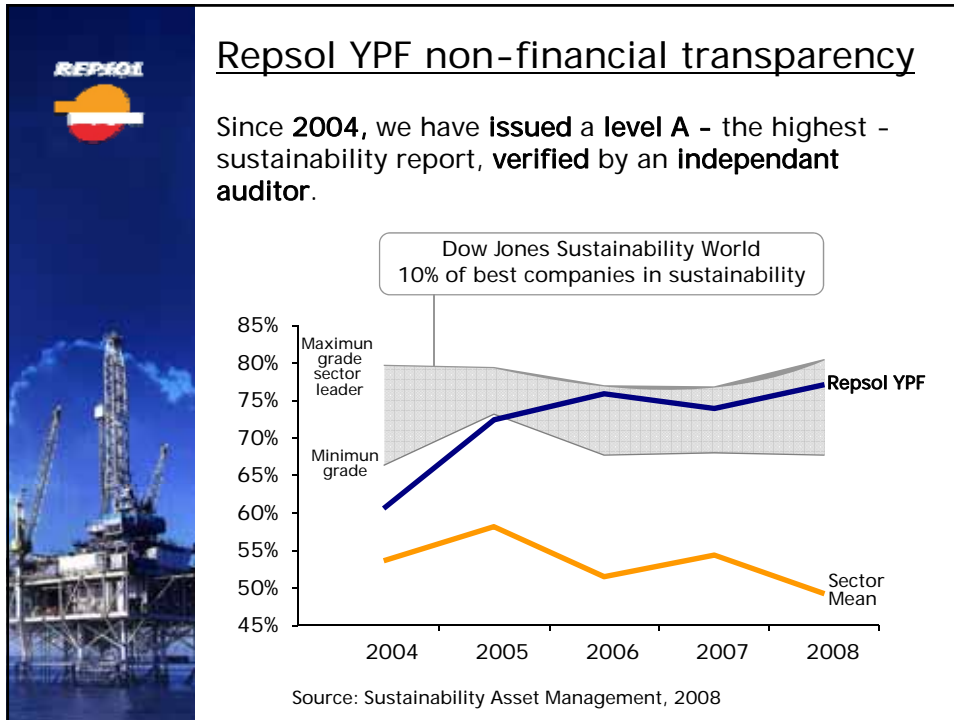
- **1997**: First recommendation on good governance.
- **2006**: Unified Code on Good Governance, 58 recommendations of **voluntary application**.
- If recommendations are not followed, companies are obliged to inform why: **comply** or **explain principle**.
- **2007**: **Obligation** to issue an **Annual Report on Corporate Governance**.
- Code recommendations may be grouped in **four categories**:
  - **Ownership structure**.
  - **Board of Directors**.
  - Rights of **shareholders**.
  - **Transparency** (economic-financial).

## Non-financial information


- The **value** of companies depends increasingly on **intangible elements**.
- **Difficulty** to measure the company's **performance** in the area of **sustainability**.
- Emphasis should be placed on the **Global Reporting Initiative** or **GRI**, a framework of **guidelines** and **indicators**.
- GRI establishes **three levels of transparency**. The highest **level** is **A+**, which implies reporting **all** variables with the **fullest degree of detail** and providing also the **independent verification** by an external auditor.





**Transparency in the extractive industry**

- The oil and gas industry generates **resources for governments**; whose mission is to **manage** them in the best interest of their citizens.
- Some countries **do not succeed** in this due to different reasons depending on the analysis made.
- A **greater transparency** of revenue received could be an **incentive for improvement**.
- The **Extractive Industries Transparency Initiative (EITI)** is currently the best positioned **to encourage transparency** in a context of **respect for contracts and laws**.
- Repsol YPF **became a member of EITI** at the time the initiative was launched in **2003**.



**Summary**

- Companies are significant **economic agents**; therefore, it is reasonable to have mechanisms **to prevent** the risks of dysfunction.
- These mechanisms are those that may be implemented by the **responsible company paradigm**.
- Good governance is **transparency, defense of shareholders interests** and **balance of power**.
- The **voluntary nature** of the recommendations on **good governance** proves **to be positive**.
- The **GRI non financial transparency** standard seems to be the **most consolidated**.
- Repsol YPF has committed itself to have an **advantageous positioning** in a future scenario of **sustainability supremacy**.



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