

Independent Experts Committee's conclusions report

For the second consecutive year, Repsol YPF has enlisted the help of an Independent Experts Committee (IEC) to ensure the transparency of the information contained in the report and to try to ensure thorough responses to the stakeholders' expectations.

Independent Experts Committee Conclusions report

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Repsol YPF has requested us, with the purpose of knowing, according to the opinion of the people who compose this Committee, if the 2007 Corporate Responsibility Report contains the appropriate information on the issues of more relevance for its stakeholders and other social agents. Moreover, in what measure it reflects an understanding of, and answers their expectations.

For this purpose, we have prepared the following questions for company management, in an independent manner and based on our judgment.

Questions formulated by the Committee to Repsol YPF management

1. Repsol YPF has published that its R&D&i expenses for 2006 as euros 72 million. What percentage of these expenses has been earmarked for projects related to new energy sources, renewable energy resources and/or alternatives to conventional fossil fuels? The company has also stated that it has earmarked euros 2,525 million for projects related to alternative fuels within its R&D programmes. What are the differences for Repsol YPF between R&D&i programmes and R&D programmes, particularly in relation to renewable and/or alternative sources of energy? We recommend that the figures provided are compared with the average for the sector.
2. What global quantifiable greenhouse gas reduction targets has Repsol YPF set for each year with regard to Kyoto Protocol commitments? Have the objectives set for 2006 been met?
3. With regard to the environmental restoration projects mentioned by Repsol YPF on page 143 et seq. of the Corporate Responsibility Report (CRR), of which several examples are given (such as the Capachos Block in Colombia), we would like to know how much of the land is being rehabilitated or restored as a percentage of the total areas in which Repsol YPF's social and environmental impact studies have detected ecological impacts? In those areas where projects are underway, what levels of environmental recovery have been reached or are expected?
4. Has Repsol YPF performed an independent external audit of the environmental and social impact of its activities? If not, does the company plan to perform and publish an audit? Would it be included in the sustainability report?
5. Repsol YPF has approved a biodiversity protection policy and designed an action plan for the coming years which will operate in some of the most biologically diverse natural parks and protected areas in the world, something which would not be possible in Spain. Does the company plan to reject oil operations in protected areas in the future by applying Spanish standards?
6. According to published information, Repsol YPF leads the PiBE project to promote biodiesel in Spain. Given that sustainability is one of Repsol YPF's objectives and that biodiesel is already having a tremendous environmental impact around the world, what certification and verification mechanisms does the company have in place to guarantee its customers that its biodiesel has been produced in a sustainable manner, and particularly that no raw materials have been used that may have been obtained from the destruction of rainforests?
7. With regard to management of human rights by Repsol and its suppliers, why are requirements different for suppliers in Spain compared to other countries? Outside Spain breaches of the core conventions of the ILO (relating purely to labour issues) and other safety and environmental aspects (unspecified) are

During the preparation of this report, the IEC independently drew up a closed list of questions addressed to Repsol YPF's management, based on their own criteria. Subsequently, they issued a report containing conclusions on the adequacy of the answers provided.

The unabridged contents of the IEC's conclusions report appear below.

- considered a cause for rescission of contract. However, subcontractors do not appear to be required to actively comply, as is the case for the documents signed by suppliers in Spain. How is compliance with these standards by suppliers and subcontractors verified?*
- 8. How does Repsol YPF quantify the risks associated with potential human rights abuses in its areas of activity? What regular consultations are carried out with governments and, where applicable, non-governmental organisations and communities, relating to the potential impacts of security provisions on local communities? What type of training do security forces receive to prevent abuses? What internal monitoring does Repsol YPF carry out to prevent possible abuses reported? Which person/position is responsible for the management of human rights at corporate level in Repsol and each of its regional units?*
 - 9. According to the annual report, Repsol YPF and its foundations donated euros 25.4 million to 763 social and cultural programmes focused on healthcare, training, social projects, education, art and culture. Despite being one of the most significant areas affected by company operations the environment is not mentioned. What criteria are applied to approve these projects? Are the priorities of the local populations taken into consideration? What percentage of the above-mentioned amount is applied to support environmental protection programmes?*
 - 10. Why are there so few female directors at Repsol YPF? What measures have been taken to correct that situation? In particular, have initiatives been adopted so that, when new vacancies arise, the Nominations Committee ensures that: a) selection procedures do not implicitly impede the appointment of female directors; b) the company deliberately seeks, and includes among potential candidates, women that meet the professional profile sought?*
 - 11. Page 70 of the 2006 CRR report includes an analysis of pay equality between men and women and indicates inequalities. Are measures being taken to mitigate this inequality? Page 73 refers to 11 improvement measures to facilitate equal opportunities between men and women. One of these measures is to "design a scorecard and monitor the development of women". Will the 2007 report include the scorecard, objectives proposed and results achieved during the first year of the 11 point improvement scheme?*
 - 12. In spite of the reference to the Commitment to the Community Programme, it has not been possible to identify information on specific initiatives planned within the framework of this programme. This Committee recommends that this shortcoming be addressed in the 2007 CRR report. What measures have been adopted by Repsol YPF's management team to identify and improve those aspects within its control to guarantee a balanced contribution to the economic development of the regions where the company operates in emerging economies? Which mechanisms has Repsol YPF implemented to deal constructively with disputes related to its management brought to light by social organisations, media or other organisations?*
 - 13. How much information is gathered on foreseeable trends or contractual and labour relations, social and safety expectations, based on the political situation in certain countries (for example Venezuela, Bolivia, Iran, Argentina, etc.) where Repsol group activities, facilities and companies are located, and the changing position of their governments regarding companies from other countries?*
 - 14. Have the contents of the Extractive Industries Transparency Initiative (EITI), backed by multiple international participants, and therefore the principles, initiatives and questions included in the manual published in various languages by the aforementioned EITI, been effectively taken into account?*
 - 15. When preparing the Corporate Responsibility Report, is the transparency involved, in complete and detailed compliance with International Accounting Standards number six taken into account relating to the identification and explanation of amounts recognised in the financial statements deriving from the exploration for and evaluation of mineral resources separating Assets and Liabilities, Income and Expense and Assets derived from exploration and evaluation of mineral resources?*

As part of the IEC's conclusions, an external opinion has been issued as to whether the information contained in this report deals sufficiently with the issues that the committee members feel are of relevance to the main stakeholders. Nevertheless, it is important to remember that this process does not reflect an evaluation by the committee or its members on the accuracy of the information provided by Repsol YPF, nor on the company's progress.

After having considered Repsol YPF Group's responses to our questions and having studied the content of the company's public information, below is our opinion on the manner in which the issues referred to have been addressed. Under no circumstances does this opinion form part of the external verification process of the report carried out by the independent external verifier.

Conclusions of the Report

When evaluating the situation and activities in the social and environmental areas of an entity such as the Repsol group, it should be taken into consideration that this is a multinational company operating in a considerable number of countries, in which different types of operations are performed (purchases, sales, investments, etc.), and that it is difficult to operate optimally in all countries and activities.

The function of this committee is to evaluate the different social, ethical, environmental and labour issues of this entity that are the most relevant to its stakeholders and other social agents, as well as their treatment in the CRR, in order to bring positive issues to light as well as inconveniences, insufficiencies or issues that could be improved within this business Group's situation and activities in the aforementioned area. Consequently, this committee has made the following comments:

The responses and information contents analysed in connection with the fifteen questions raised by us and set forth above can be divided into three groups or levels of appropriate responsiveness to the questions posed by this Committee:

Firstly, ten questions (nos. 1, 2, 4, 7, 9, 10, 11, 13, 14 and 15) were answered to in an appropriate and coherent manner, providing high quality responses with information related to the question and also supplementary information. Despite this level of quality and appropriateness of the response information to the questions, the Committee members consider that certain specific comments must be made in connection with three of them.

With respect to question no. 1, we recommend that Repsol-YPF include comparative data for the sector in the CRR in terms of R+D+i activities in the renewable energy field.

Regarding question no. 11, we recommend that the company also include information in the CRR on the proposed objectives and the results achieved during the first year of the 11 point improvement scheme in the "Diversity" project and/or their equivalent under the new "Diversity and reconciliation" programme.

With regard to question number 13, the company makes it very clear that it has thoroughly analysed and is extremely aware of the situation regarding the different social and labour relations and risks included in the question. However, the Committee recommends that this information be included in the CRR.

There is a second group of questions (nos. 5, 6, 8 and 12) which in our opinion, have not been adequately responded to or information provided is insufficient. We make certain recommendations in this regard.

This Committee considers that the reply to question no. 5 is sufficient in relation to the procedure implemented by the company. However, the question looks for an institutional stance on future initiatives and decisions to be considered in this field, and in short, whether the company intends to safeguard the protected areas in the regions in which it operates on a similar level to that guaranteed by the government in Spain.

Regarding question no. 6, we consider that an exact answer is not given regarding the source of the company's biodiesel. However, valuable information is provided on research underway to find alternatives that have less environmental impact.

With regard to question no. 8, this Committee considers that the company should expand the information in the CRR on risks and human rights with some of the data provided in response to our question, and increase the information in this report on the company's possible consultations with governments, NGOs and communities, and the information regarding the company's potential internal investigations of possible abuses reported.

The answers to the IEC's questions appear in full in this report as indicated in the "Responses to the Independent Experts Committee" Appendix.

With respect to question no. 12, we recommend that the company include the information in its CRR provided to this Committee on the approach and interaction with communities and environments in which it operates. We also recommend reporting the way the external mailboxes work, where applicable, and/or how the channels used by members of the local communities are utilised. We recommend that the entity also reports its commitment to publicising the number of complaints and queries received.

Finally, the response to question no. 3 is insufficient for the following reasons:

The Committee considers that the question was not adequately answered as it asked for quantification of restoration and to relate this to the level of social and environmental impact in the areas affected. However, the information provided by Repsol YPF does not specify how appropriate the rehabilitation and restoration plans are to correct the damage caused.

Apart from the above-mentioned opinions, shortcomings and recommendations, this Committee welcomes the fact that such a multinational company such as this, clearly exposed to risk in the issues analysed, has been willing to subject itself to a thorough and critical examination, with questions that were often demanding, by Independent Experts Committee such as this one, comprised of members of not-for-profit, academic or supranational entities, who represent to a certain extent civil society as a whole, which acts increasingly as an instrument that oversees and ensures corporate compliance with ethical, social and environmental standards. We also consider that this transparency displayed by certain companies may serve as an example for other companies, with a view to achieving the greatest social and economic transparency which a modern society such as ours demands.

And for it, his Chairman signs on 26 March 2008

(Signed)
Jesús Lizcano Alvarez