Grupo REPSOL

2020

Tax Control Framework
The orderly management of tax matters requires a tax governance and control framework based on the following fundamental pillars:

- Tax Strategy and Policy defined by the Board of Directors.
- Alignment with codes of good tax practices.
- Management of tax matters integrated in the activities and decisions of the business.
- Tax reporting system (worldwide).
- Integrated tax risk management system.
- Solid control environment.
- Standardized processes of Tax Management.
- Compliance system for tax obligations (worldwide).
- Integrated tax management system.
- Professional expert team.
- Integrated Organization.
- Decision rights.
- External support of proven solvency.
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- Solid control environment.
The OECD links the regulatory compliance programs based on legal certainty and the reduction of compliance costs in exchange for a higher level of transparency by companies when disclosing their tax risks.

**Keys of the Tax Control Framework**

- **TAX STRATEGY**: Tax objectives established by the Board of Directors (the Board).
- **OMNICOMPRESSIVE APPLICATION**: Risk management should reflect the tax strategy set by the Board.
- **ASSIGNED RESPONSIBILITIES**: The development of the tax strategy and the TCF corresponds to senior management under the supervision of the Board of Directors.
- **DOCUMENTED GOVERNANCE**: System of procedures that guarantee that transactions are carried out in accordance with the applicable corporate policies and regulations and the potential risks of non-compliance are identified and managed.
- **VERIFICATION**: Monitoring compliance with the policies and processes that are part of the TCF by the company and the tax authorities.
- **RISK ASSURANCE**: Ensuring that tax risks have adequate controls, establishing a “risk appetite”.

Key elements and blocks of a Tax Control Framework
Pillars of the Tax Control Framework


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Approval of the corporate tax strategy and policy by the Board of Directors on November 25, 2015.

“The Repsol Group is committed to managing its tax affairs by applying good tax practices and acting transparently, paying its taxes in a responsible and efficient manner and promoting cooperative relations with governments, trying to avoid significant risks and unnecessary conflicts.”

The tax policy is based on 5 Principles of mandatory compliance for all companies and employees:

<table>
<thead>
<tr>
<th>Principles</th>
<th>Commitments</th>
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<tr>
<td>1. Responsible compliance</td>
<td>▪ Adherence to the letter and the spirit of the law.</td>
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<td>▪ Tax payment aligned with value chain.</td>
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<td>▪ Application of transfer pricing rules.</td>
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<td>2. Tax efficiency</td>
<td>▪ Efficient management of tax costs.</td>
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<td>▪ Responsible tax planning.</td>
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<td>▪ Support of social interest in tax conflicts.</td>
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<td>3. Tax Risk Prevention</td>
<td>▪ Orderly and expert tax management.</td>
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<td>▪ Control systems and management of tax risks.</td>
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<td>4. Cooperative Relations</td>
<td>▪ Complete and relievable information.</td>
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<td>▪ Search for amicable solutions to disputes.</td>
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<td>▪ Generation of trust through tax transparency and risk mitigation.</td>
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<td>5. Transparency</td>
<td>▪ Not use of opaque corporate structures nor presence in tax havens.</td>
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<td>▪ Better standards in external reporting.</td>
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Principles aligned with the best international standards. [B-team, GRI 207, etc.].
Pillars of the Tax Control Framework

2. Expert professionals, organization and external support of proven solvency.

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**Qualified and trained expert Tax Team**

- **The Tax Department is responsible** for the management of all tax matters of the different businesses and areas of the Group, in all phases and aspects (compliance, advice, planning, risk and dispute management, litigation, etc.).
- **All the Tax Units report to the Economic and Tax Department**, in order to ensure the application of the Group's tax policies, the control of tax risks and the use of the team to optimize tax management.
- In order to adequately address the particularities and singularities of each business and tax system, **responsibility for the management of tax matters is assigned locally to tax units in each country/business.**
- **A contingency plan** is in place to ensure succession in key tax positions.
- The Group's tax experts are subject to the **same compensation and incentive policy** as the rest of the company's employees.

- Updated and comprehensive employee training offer (face-to-face and online) in its different functions and levels of responsibility.

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**THEMATIC TRAINING AREAS (% HOURS)**

- Skills: 56%
- S&E (*): 5%
- Languages: 18%
- Leadership, skills and office automation: 10%
- Institutional: 10% (The Training Plan expressly includes the updating and renewal of employees' commitments to the obligations derived from the Code of Ethics and Conduct.)

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(* This year we highlight the courses on Safety and Environment /S&E, which include the mandatory on-line course on Prevention and protection measures against Coronavirus and Telework risk prevention.)

**Dedication Index 2020:** 3,2% theoretical day.
Pillars of the Tax Control Framework


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- Action principles
- Team
- Tax Control Framework
- Tax compliance processes and systems
- Tax risk Management and Control
The action framework is regulated through an orderly model of regulatory management.

- The Group has a set of rules of different hierarchy and nature, internally called “regulatory management model”, that place the employee as a central element to ensure their effective knowledge and application in their field of work.

- **Code of Ethics and Conduct**: general guidelines that guide the actions of the company and all its employees in accordance with certain ethical principles and values.

- **Company Policies**: aimed at stakeholders, they are a declaration of global commitments and management principles.

- **Regulations**: develop the Company's policies and classify them as global or specific regulations.
  - Global Standards: they affect all Repsol employees and establish criteria and obligations of worldwide application in relation to the subject matter of regulation.
  - Specific rules: applicable to those employees directly linked to the object of regulation. They also establish criteria and obligations of worldwide application.

- **Procedures**: its scope is reduced to employees working in a certain function or process, global or local.
Global tax management and reporting systems (SIGEFI and SRF) and local (specific applications).

- Standardized tax management processes (documented in each country).
- Limited outsourcing of certain activities in accredited and reputable suppliers.
- Tax risk management system aligned with ISO 31000 "Risk management Principles and Guidelines".
Pillars of the Tax Control Framework

4. We have an adequate management and control system that allows us to prevent tax risks.

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The tax risks management is carried out by the tax area and is part of the Repsol Integrated Risk Management System.

- Aligned with international reference standards (ISO 31000).
- Tax risks global model management: identification, evaluation, treatment and reporting of risks, in order to keep them at levels in accordance with the Group's acceptability criteria (risk profile aligned with a medium-low risk tolerance).
- Differentiated responsibility of units and bodies involved according to the “three lines of defense” model: