

Grupo REPSOL

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**2020**

Tax Control Framework

# Pillars of the Repsol Group Tax Control Framework (TCF)

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



# Keys of the Tax Control Framework



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.

## Key elements and blocks of a 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”.

# Pillars of the Tax Control Framework

## 1. Principles of action: Strategy and tax principles, code of good practices and integrated management in the business.



# Action principles



- 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.”***

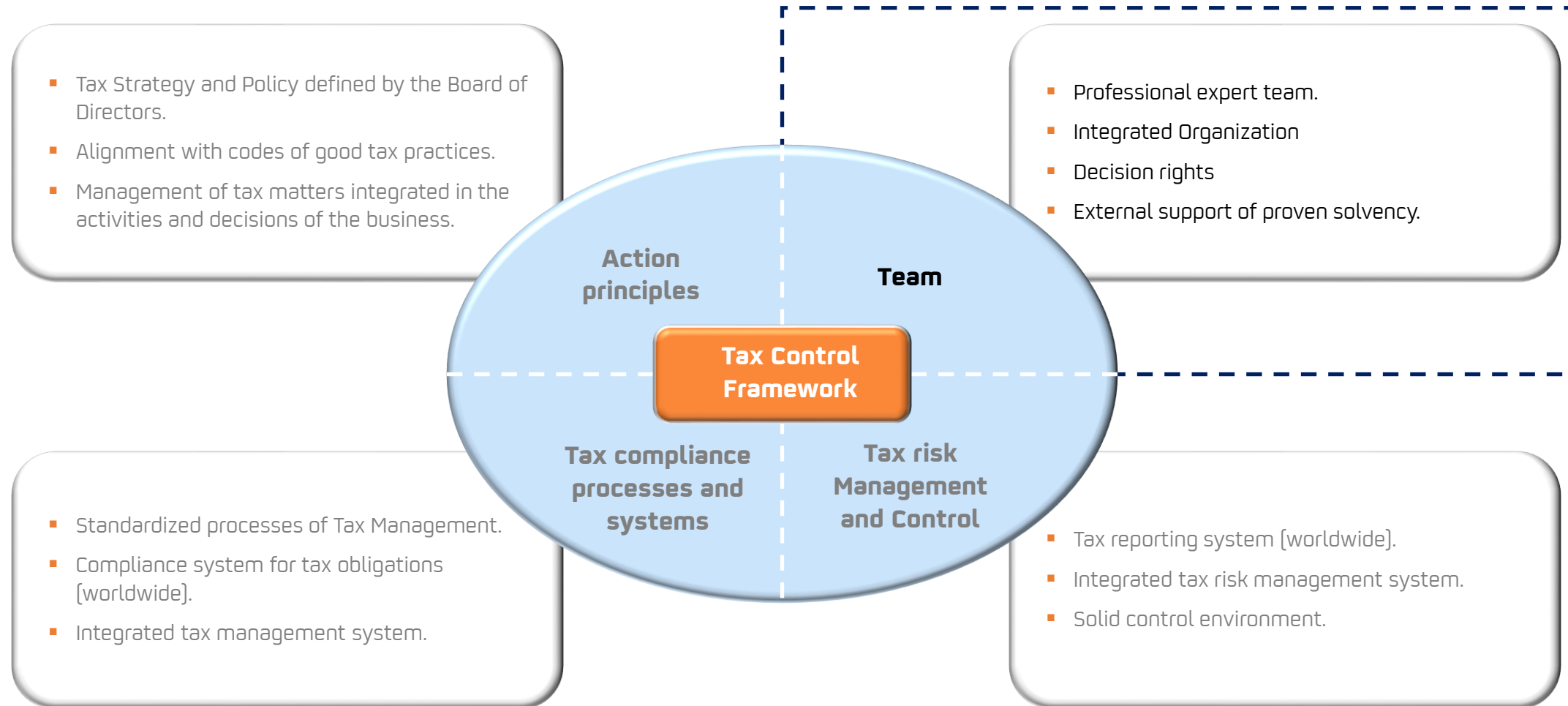
- The tax policy is based on **5 Principles** of mandatory compliance for all companies and employees:

Principles	Commitments
<b>1. Responsible compliance</b>	<ul style="list-style-type: none"><li>Adherence to the letter and the spirit of the law.</li><li>Tax payment aligned with value chain.</li><li>Application of transfer pricing rules.</li></ul>
<b>2. Tax efficiency</b>	<ul style="list-style-type: none"><li>Efficient management of tax costs.</li><li>Responsible tax planning.</li><li>Support of social interest in tax conflicts.</li></ul>
<b>3. Tax Risk Prevention</b>	<ul style="list-style-type: none"><li>Orderly and expert tax management.</li><li>Control systems and management of tax risks.</li></ul>
<b>4. Cooperative Relations</b>	<ul style="list-style-type: none"><li>Complete and relievable information.</li><li>Search for amicable solutions to disputes.</li><li>Generation of trust through tax transparency and risk mitigation.</li></ul>
<b>5. Transparency</b>	<ul style="list-style-type: none"><li>Not use of opaque corporate structures nor presence in tax havens.</li><li>Better standards in external reporting.</li></ul>

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.



# Qualified and trained expert Tax Team



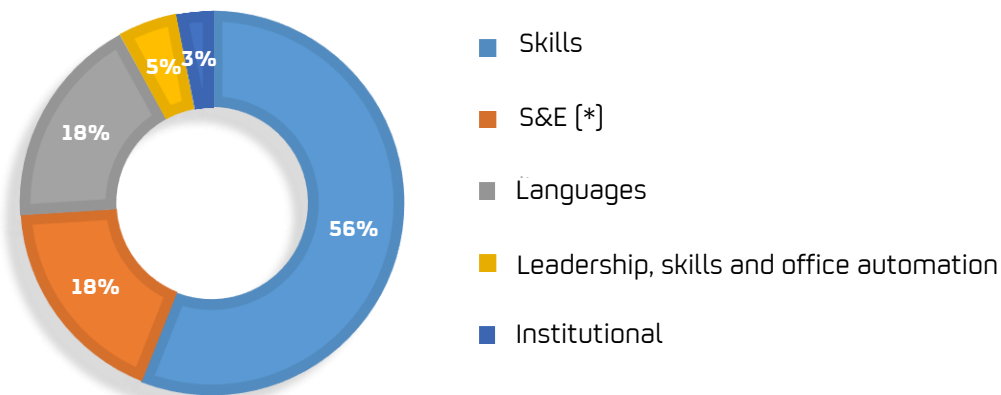
## Tax Department

- **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.

## Continuous training

### THEMATIC TRAINING AREAS [% HOURS]



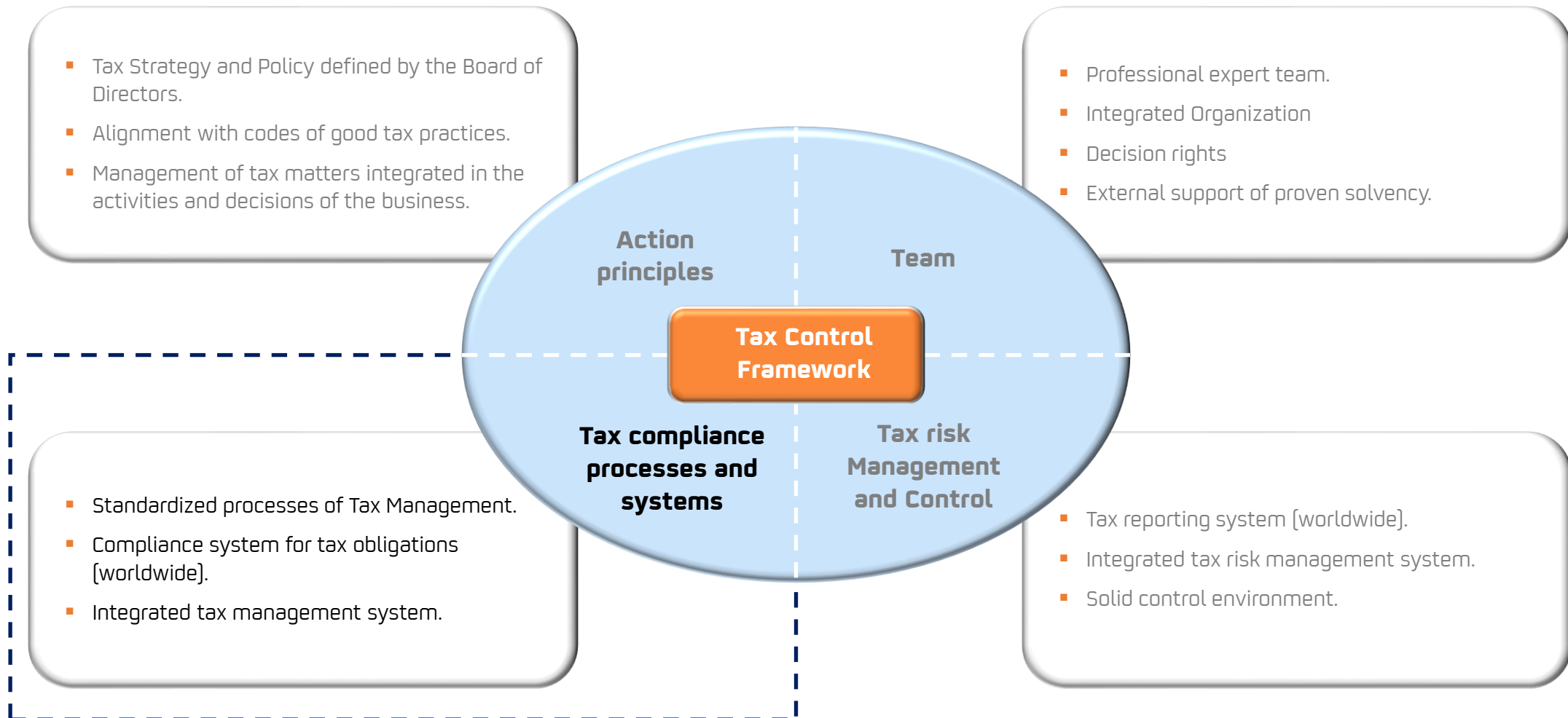
**Dedication Index 2020:**  
**3,2% theoretical day.**

**The Training Plan expressly includes the updating and renewal of employees' commitments to the obligations derived from the Code of Ethics and Conduct.**

[\*] 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.

# Pillars of the Tax Control Framework

## 3. Standardized processes and systems of compliance with global obligations.



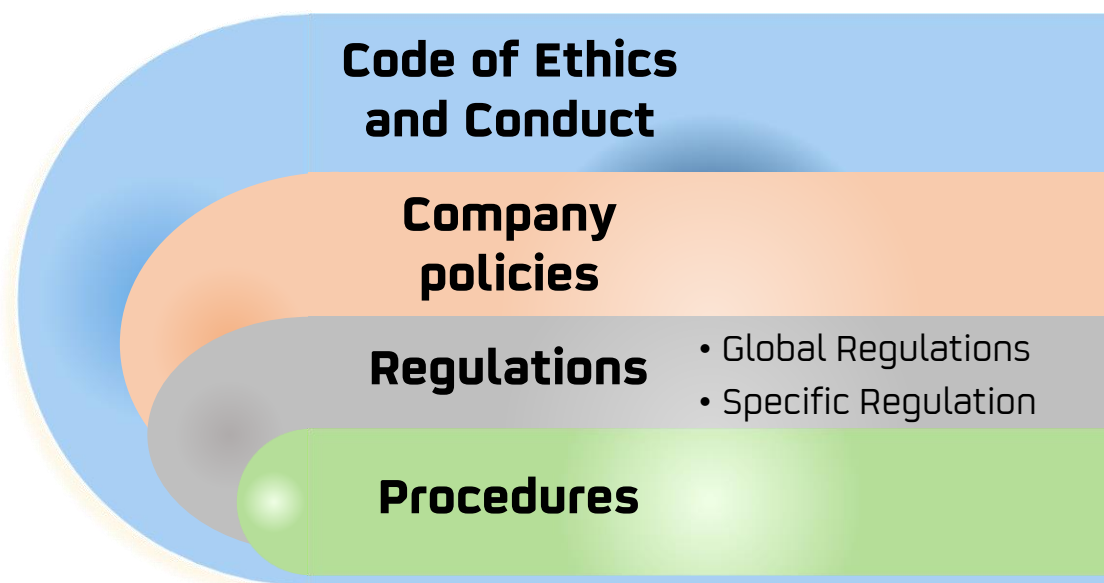


# Regulatory Management Framework



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.

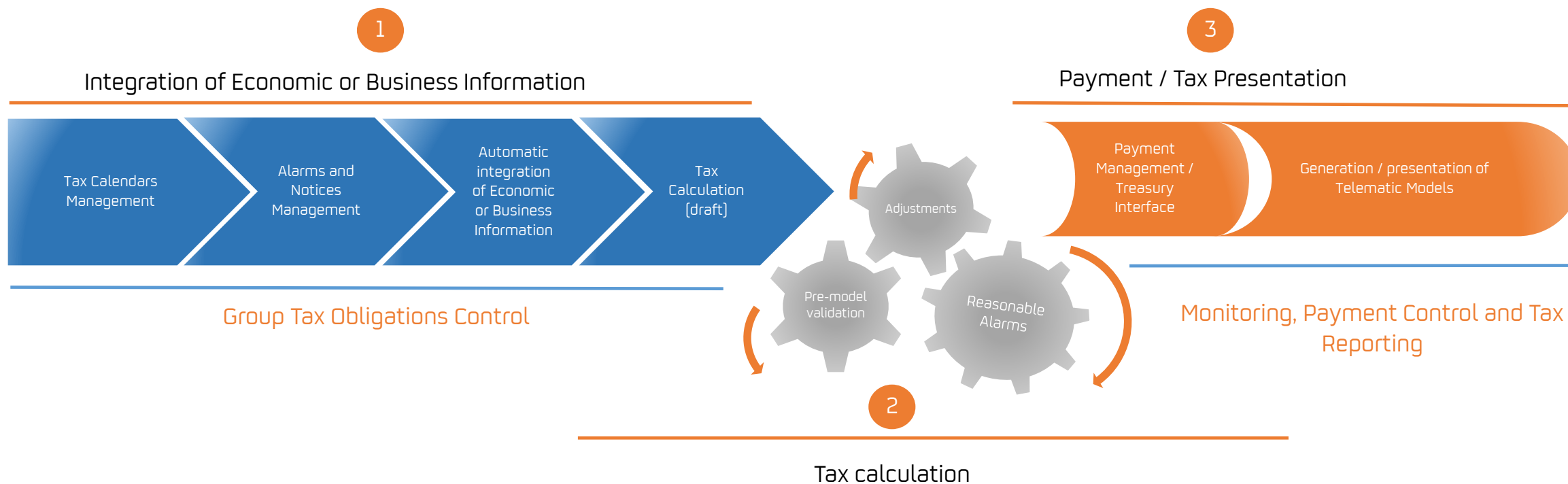


- **Code of Ethics and Conduct:** general guidelines that guide the actions of the company and all its employees in accordance with certain ethical principles and values.
- **Company Policies:** aimed at stakeholders, they are a declaration of global commitments and management principles.
- **Regulations:** 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.

# Tax management processes and systems

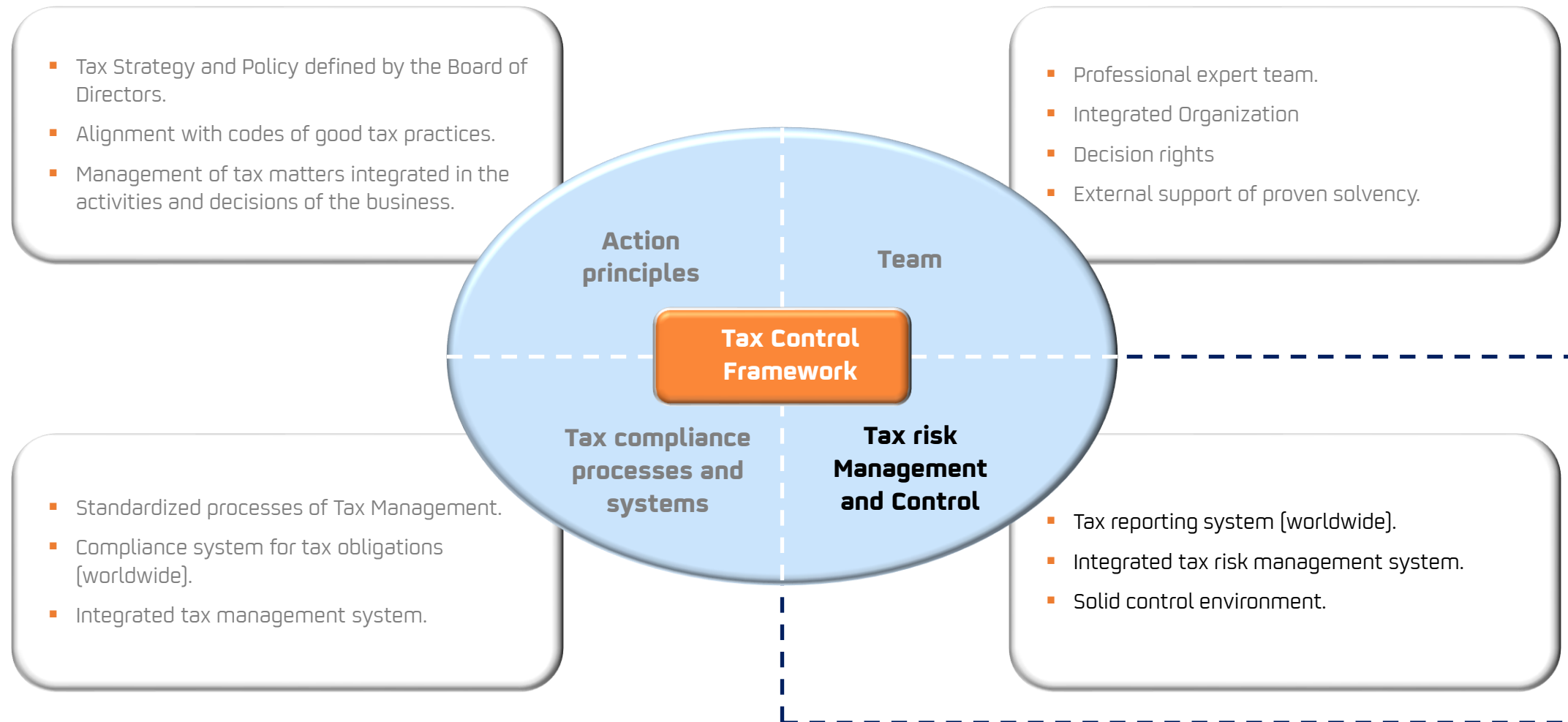
## Processes and systems for tax management

- 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.



# Tax Risks Control and Management

- 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:



Establishment of **roles** and **responsibilities** according to the model

**1st Line:** Management Units

**2nd Line:** Supervisory Units

**3rd Line:** Audit Units