



REPSOL Group

2021

Cooperative
Relationships

Introduction

The enhancement of relationships with tax authorities, inspired by the principles of trust, good faith, professionalism, loyalty, and a search for mutual and reciprocal understanding, is one of the principles in which is based our tax strategy and policy.

Devoted to this commitment, at Repsol we aspire to maintain a cooperative, lasting and sustainable relationship with the main tax administrations to which we are taxpayers.

Repsol also wishes to contribute responsibly to the creation of a more balanced and fairer international tax framework. To this end, it collaborates actively with international organisations and other interest groups to foster the development of institutional relations, identify formulas for aligning the company's tax policies with social reality, facilitate the application of the tax system and enable anticipation in the management of tax matters.

Tax Principles

Repsol aims to maintain a cooperative relationship with the main tax authorities of the countries where it is present.

Abbreviations and acronyms

ACAP: Assisted Compliance Assurance Programme (Singapore)

AEAT: Agencia Estatal de Administración Tributaria (Spain)

AT: Portuguese Tax Agency

BIAC: Business at OECD (former Business and Industry Advisory Committee)

CAP: Compliance Assurance Process (USA)

CBPT: Code of Good Tax Practice

CEOE: Confederación Española de Organizaciones Empresariales (Spanish Confederation of Business Organisations)

CRA: Canada Revenue Agency

DTA: Dutch Tax Authority

ICAP: International Compliance Assurance Programme

IVTF: Voluntary Fiscal Transparency Report (Informe Voluntario de Transparencia Fiscal)

EITI: Extractive Industries Transparency Initiative

ETACA: European Trust and Cooperation Approach

E&P: Exploration and production

HMRC: Her Majesty's Revenue and Customs

ICC: International Chamber of Commerce

IRS: Internal Revenue Service

MAP: Mutual Agreement Procedure

OECD: Organisation for Economic Co-operation and Development

O&G: Oil and Gas

AEO: Authorised Economic Operator

EU: European Union

UN: United Nations

SP: Strategic Plan

Repsol and compliance initiatives / cooperative relationship

	Initiative	Milestones	
Cooperative Relationships	Spain	AEAT - CBPT	Accession 2010. IVTFs have been submitted on an annual basis (since 2015). Proactive communication of relevant transactions.
	Brazil	CONFIA	Invitation to participate received from <i>Receita Federal do Brasil</i> . Programme inspired by the OECD to promote compliance culture.
	Canada	CRA cooperative relationship	The positive experience of ICAP has allowed Repsol to access agile early detection / dispute resolution.
	Spain / EU	AEO	Recognition as a reliable operator in foreign trade (security and good practices in the distribution chain of international trade of goods).
	USA	IRS cooperative relationship	Extended the "low risk" rating to the periods 2017-2018 (ICAP). Cooperative relationship (based on CAP).
	The Netherlands	Horizontal tax monitoring	Long-standing relationship (mutual trust) that has allowed the DTA to mediate in dispute resolution on international matters.
	Peru	AEO	Recognition as a reliable operator in foreign trade.
	Portugal	Risk assessment programme	Founding member of the <i>Fórum de grandes empresas</i> . Leadership in the drafting of the CBPT.
	United	Risk review	Low risk" rating extended until 2020 by HMRC. Participation in O&G Industry Direct Tax Forum.
	Singapore	ACAP	Voluntary accession to the programme for the review of internal procedures for indirect taxation as a guarantee of compliance.
Compliance programmes	OECD	ICAP	Participation in the 2016 pilot programme. Repsol, classified as a low-risk taxpayer on the reviewed areas.
	EU	ETACA	Pre-invitation to apply for the pilot programme ("European ICAP": Multilateral Review of determined related transations).
	UN	UN Subcommittees	Since 2014 Repsol has been a member of various UN subcommittees on taxation related to E&P and environment taxation.
Presence in cooperation forums	OECD	Business at OECD	Official body representing business interests at the OECD.
	Corporate	ICC	Vice-chair of the ICC Tax Committee. Co-drafter of the handbook " <i>Cooperative Compliance</i> " (Vienna University).
	International	EITI	Founding member. Promoting transparency and accountability in countries with extractive industry to avoid "mismanagement".
	International	B-Team	Repsol, co-drafter of the "Principles of responsible taxation". Described as a " <i>radically transparent</i> " in tax issues.
	Corporate	Several	Active participation in the Tax Commission of Business Europe, CEOE and sectoral.

Actions in the area of cooperative relationships

As established in Repsol's Fiscal Policy, the Group is committed to:

- Collaborate with tax administrations in detecting and finding solutions to fraudulent tax practices in the markets in which it operates.
- Provide public administrations with the required information and documentation with tax implications in the shortest possible time and to the appropriate extent.
- Give priority to non-litigious avenues for conflict resolution, where feasible, and make use of the possibilities offered by legal procedures to enhance agreements with administrations.

In view of the above, the main initiatives developed by the Group that illustrate the degree of commitment to achieving the objectives defined in this area are described below.



Spain. Adhered to the Code of Good Tax Practices.

The Repsol Group is a member of the CBPT. Sponsored in 2010 by the *Foro de Grandes Empresas*, its objective, among others, is to foster a cooperative relationship between the AEAT and the companies that voluntarily decide to join it.

As a result of the resolution of the Board of Directors of Repsol, S.A. of 23 September 2010 [resolution adopted by this entity in its capacity as parent company], all the companies in the corporate income tax group [group 6/80] and the group of value added tax entities [VAT group 0120/08] are subject to the rights and obligations established in the CBPT.

Within the framework of the CBPT, different types of activities and initiatives have been developed, among which the following can be highlighted:

Information to the Board of Directors on the tax policy applied

In accordance with the provisions of the CBPT, the Head of tax of the Group reports to the **Board of Directors** and, at least once a year, to the **Audit and Control Committee**, on the tax policy applied by Repsol during the year, providing detailed explanations on the following matters, among others:

- Assessment of the degree of compliance with the principles guiding Repsol's tax policy and specific evidences to support it.
- The Group's performance and tax contribution for the year.
- Repsol's tax risk management policy.
- The approval and monitoring of the corporate structure.
- The Group's presence in non-cooperative jurisdictions.
- The voluntary submission to the AEAT of the IVTF, as well as the AEAT's assessment of the same [see next section], and
- Other voluntary tax transparency initiatives [tax contribution report, public *Country by Country*, etc].

CBPT

Repsol has been a member of the Code of Good Tax Practices in Spain since 2010.

Report to the Board

The Board of Directors monitors the Tax Strategy and the execution of the Tax Policy.

Submission of the VTF

As above mentioned, since 2015 and without interruption, Repsol has been submitting the IVTF to the AEAT, as a manifestation of the Group's commitment to enhanced transparency.

This document includes relevant information on Repsol's economic activity, as well as detailed explanations on tax-related actions and decisions taken by it.

Repsol always has shown its willingness to include in the IVTF the suggestions for improvement and clarifications indicated by the AEAT, which has been recognized in the communications received from the AEAT.

In this respect, the AEAT has welcomed Repsol's initiative and commitment towards transparency showed with the presentation of the IVTF, having expressly highlighted, in official correspondence with the company, *"the magnificent willingness and facilities offered by the entity, through its representatives, both for the submission of the Transparency Report itself and for the clarifications that have been made subsequently"* and thanked *"for the transparency exercise carried out voluntarily, which will undoubtedly contribute to increasing mutual knowledge, legal certainty and reciprocal trust"*¹.

On the other hand, the AEAT has published on its [website](#) the list of companies, including Repsol, that have voluntarily submitted the IVTF for the 2020 financial year. This is a public recognition of the proactivity shown by Repsol and the rest of the companies that have submitted this report. As the AEAT points out on the same page, *"these reports submitted by the companies make effective the reinforcement of the good practices of corporate tax transparency contained in the Code of Good Tax Practices adopted in the Forum of Large Companies"*².

Regular meetings with the AEAT on cooperative compliance

Lastly, in the area of the CBPT and cooperative relations, we would like to highlight, due to their pioneering nature, the holding of regular meetings between the staff of the Central Large Taxpayers Delegation and the company, the purpose of which has been to continue to deepen knowledge of the Group's business and activities, the policies followed, and the operations carried out with tax implications.

According to the AEAT, these initiatives allow *"to continue working with this entity in this framework of collaboration and transparency in order to achieve the fundamental objective of promoting voluntary compliance and reducing litigation"*³.

IVTF

Since 2015
Repsol has
presented the
IVTF.

¹ Unofficial traslation.

² Id.

³ Id.



Brazil. Active participation as coordinator in the *CONFIA* programme.

The Brazilian Federal Administration (*Receita Federal do Brasil*) has invited Repsol Sinopec Brasil, S.A. to participate in the collaborative programme called *CONFIA*.

Inspired by the cooperative relationship models promoted by the OECD, it aims to foster a culture of tax compliance. The *CONFIA* programme is implemented in different stages and is aimed at large companies.



Canada. Good tax practices with the CRA.

Repsol maintains ongoing communication with the Canadian tax authorities through regular meetings in which they share perspectives on the taxation applicable to the Group's various operations. In this context, in 2019, 2020 and 2021, various conflicting issues have been resolved through special agreements or procedures to which only taxpayers qualified as "*compliant taxpayers*" have access.



Spain. Qualification as AEO in the EU.

Repsol Petróleo, S.A., Petróleos del Norte, S.A. (Petronor), and Repsol Química, S.A., have been granted AEO authorisation, both for customs simplifications and for safety and security. Repsol Trading, S.A. has been granted AEO authorisation for customs simplifications.

This authorisation implies their recognition as reliable operators in foreign trade, accredits their compliance with certain security measures and good practices in the international supply chain of goods and expresses their willingness to maintain a cooperative relationship with the customs authorities.



United States. Formula analogous to CAP cooperative relationship.

It is necessary to highlight the collaborative relationship approach proposed by Repsol to the IRS and based on the experience of the ICAP, which has allowed it to extend the "low risk" rating obtained under this programme to the 2017-2018 periods.

Although the IRS has stated that the US cooperative programme (CAP) is aimed at US-listed multinationals (a requirement not met by Repsol), it nevertheless understands that its objectives could be achieved in the specific case of Repsol through potential analogous formulas, which are considered more appropriate for multinationals listed outside the US.

In this regard, meetings were held with the IRS in 2021 to inform them of the Group's main operations in the US.



The Netherlands. The horizontal monitoring and tax control programme.

In the Netherlands, the concept of horizontal tax monitoring is considered a scheme of action that serves as a regulatory framework of reference for the development of cooperative relations between companies and the tax administration.

PGS 2022

Objective:
Promote relations cooperatives and the search of friendly solutions with the tax administrations.

In this area, the taxpayer voluntarily provides information on ongoing operations to confirm the applicable tax treatment on a transparent basis disclosing details of the activities carried out in this area.

This scheme is aimed at companies qualified in the Netherlands as "Very Large Businesses" based on their size in that jurisdiction, although in recent times the scope has been extended to medium-sized companies with a strong presence in the Netherlands.

Although Repsol does not formally meet the requirements to be part of the horizontal tax monitoring programme, it has voluntarily established similar standards of review and control of its tax activities with the Dutch tax authorities, which, in practice, serve the same purpose, especially given the high level of knowledge that the tax authorities have acquired about the Repsol Group as a result of Repsol's participation in the OECD's ICAP programme.



Peru. Qualification as AEO.

In 2019, La Pampilla Refinery was granted AEO authorisation by the Peruvian Customs Administration (SUNAT) in view of its track record of compliance with current regulations, its adequate system of accounting and logistical records that guarantee the traceability of operations, its duly proven financial solvency and level of security.

On an annual basis, Customs is empowered to carry out certification maintenance procedures, for which no observations have been notified.



Portugal. Founding member of the *Fórum de Grandes Empresas*.

Repsol is a founding member of the *Fórum de Grandes Empresas*, set up in March 2014 by the TA and to which 29 companies are currently members.

The main actions of the Forum focus on two objectives: the preparation of a Code of Good Practices and measures to facilitate interaction between companies and the TA. Regarding the first objective, a Code was approved in 2019, which can be joined by any taxpayer, natural or legal person. Regarding the second objective, some measures have already been approved and have even led to regulatory changes. In addition, there are other reform initiatives underway, including the development of VAT corporate groups.

Repsol also participates in the "risk assessment programme" with the TA. This provides relevant information on the declarations submitted and the main operations of the period. In joint analysis meetings, management may request explanations or additional information on specific issues.

This cooperative and transparent relationship is voluntary and is not binding to the parties. It is intended to facilitate a better understanding of the company by the administration for the purpose of assessing whether to initiate a formal inspection procedure. In addition, it serves for the taxpayer to know the administration's position on the most controversial issues, all in a climate of transparency and mutual trust.



United Kingdom. Membership of the Oil & Gas Industry Direct Tax Forum.

Since 2019, Repsol Sinopec Resources UK Ltd. has been rated as a low-risk contributor at HMRC's annual Business Risk Review meetings.

Our company is also a member of the "Oil & Gas Industry Direct Tax Forum". This initiative favours the creation of links between the business community of the Oil & Gas sector and the tax administration (HMRC) based on an environment of mutual trust and cooperation.

Through the O&G Industry Direct Tax Forum meetings, the business community is able to provide HMRC with an insight into the tax policies in place, as well as information on new developments and interpretative criteria applicable to the tax legislation of the O&G sector.



Singapore. Accession to the ACAP programme.

Since 2016, Repsol has voluntarily adhered to the ACAP programme. This programme consists of the review of internal procedures by an authorised third party (tax advisor), introducing controls that ensure the correct declaration of transactions for Singaporean VAT purposes, thereby increasing legal certainty and cooperation with the Singaporean tax administration.

In short, the Group follows the spirit of this type of cooperative relationship programme and maintains a very smooth relationship with the tax authorities, based on mutual trust and transparency.

Participation in Compliance Programmes

Repsol is a pioneering multinational in the new areas of cooperative relations that have been opening up between tax administrations and taxpayers in recent years. These programmes are aimed at creating a framework of trust and tax cooperation that improves the application of the tax system, communication and mutual understanding between the parties.

Thus, the primary objective of compliance programmes is to anticipate and prevent tax risks, thereby increasing legal certainty and reducing conflict and litigation.

The experience acquired by Repsol in the ICAP initiative sponsored by the OECD has allowed it, as has been shown in other sections of this report, to open new venues of dialogue with the administrations of the countries in which it is present, as well as inviting it to collaborate with supranational bodies such as the European Commission in the design of similar programmes.

ICAP

Repsol, Spanish company invited to participate in the first ICAP program of the OECD.

Qualified as a low risk taxpayer.



OECD: We participated in the first ICAP programme.

In 2018 Repsol was invited to participate in the first ICAP programme, an OECD initiative aimed at greater cooperation between tax administrations for the supervision of tax risks in multinational groups regarding transfer pricing and permanent establishments. The Repsol assessment involved the tax administrations of Spain, the US, Canada, the Netherlands and the UK. Canada, the Netherlands and the United Kingdom.

As a result of this analysis, the participating tax administrations considered that the areas of the Group that were reviewed present a low risk of tax non-compliance.



U.E.: We collaborated in the design of the ETACA.

At the European level, in 2021 the Commission has presented its ETACA cooperative compliance programme, the first pilot of which is expected to be carried out during 2022 with participating companies. This initiative represents one of the European Commission's lines of work aimed at facilitating corporate tax compliance, based on a relationship of greater cooperation, transparency and mutual trust, as announced in the "tax package" presented in July 2020.

Repsol has participated in the design of ETACA through its participation, during 2020 and at the request of the European Commission, in meetings with other taxpayers in order to provide feedback and share experiences on participation in cooperative compliance programmes, both national and international (i.e. ICAP). Repsol has also been invited by the Spanish tax authorities to apply to participate in this pilot programme.

International Tax Framework

Repsol contributes to the creation of a more balanced and fairer international tax framework.

Collaboration in tax forums

Much of the tax legislation currently in force is developed in the debates and forums of various international organisations (UN, OECD, EU, etc.).

Therefore, at Repsol we try to establish and promote institutional relations with these authorities and other stakeholders in order to align the company's tax policies with social reality, to contribute responsibly to the creation of a more balanced and fairer international tax framework and to enable anticipation in the management of tax matters.

In this context, Repsol actively participates in different international and sectoral organisations, to which it contributes its opinion and experience on the various issues that may arise. It is not unusual for Repsol to be called upon on occasions to lead on issues and topics that are highly technical given its links to energy or due to Repsol's pioneering experience in these areas.

Repsol participates by showing respect and seeking consensus among the various groups (bodies and organisations, investors, civil society, academia, etc.) that make up the different working groups in which it collaborates, through a transparent exchange of opinions on the issues, regulatory developments, doctrine or trends in tax matters that are generated.

Through our participation in these debates (in most cases at the invitation of the relevant organisation) we have had the opportunity to present our views on issues of great importance in the current environment, such as the tax contribution of multinationals, the problem of profit shifting and the demand for information on payments made by companies to governments, which we summarise below.

UN

Repsol, the only Spanish company that cooperates in the preparation of tax guides for developing countries.

Members of various UN tax sub-committees:

Since 2014 Repsol has been a member of various subcommittees of the **UN Committee of Experts on International Cooperation in Tax Matters (Tax Committee)**.

In particular, it has participated in the subcommittees on the *Subcommittee on Extractive Industries Taxation Issues for Developing Countries*, the Subcommittee on the environment, focused on the implementation of a carbon tax (*Subcommittee on Environmental Taxation Issues*) and the *Subcommittee on the Mutual Agreement Procedure - Dispute Avoidance and Resolution*.

The result of this collaboration has materialised, among other things, in the following tax guides for developing countries:

- [*"United Nations Handbook on Selected Issues for Taxation of the Extractive Industries by Developing Countries"*](#). The second edition, which is still pending publication, updates and includes new chapters on issues of interest to developing countries and in which Repsol has led the technical direction of some of them at the express request of the Committee.
- [*"Handbook on Carbon Taxation for Developing Countries"*](#) where Repsol has actively participated in the drafting of some sections.

BIAC Taxation Committee:

We are a member of Business at OECD (BIAC). This organisation enables the companies it represents to contribute to growth, economic development and social prosperity by interacting with the various representatives of the OECD.

During 2021 Repsol, through the BIAC Committee on Taxation and Tax Policy, has participated in the working groups related to "Pillar 2" following the publication of the project on anti-erosion measures of the tax base through the establishment of a minimum effective taxation.

Vice-Chair of the ICC:

Repsol acts as Vice-chair of the [ICC](#) Tax Commission as well as chairing the ICC Spain Tax Commission. Repsol's work at meetings and in various groups of this organisation has included, among others, participation in the manual on cooperative relations published by the University of Vienna "*Cooperative Compliance: A Multi-Stakeholder and Sustainable Approach to Taxation*".

BusinessEurope Tax Committee:

At the European level, Repsol is a member of [Business Europe](#)'s Tax Policy Committee, which monitors new developments in corporate taxation at the EU level and gathers the voice of companies and business organisations in a continuous dialogue with various EU bodies.

In addition to the general group on taxation, Repsol also forms part of the specific subgroup in Business Europe on environmental taxation (Green taxation), which deals with the Commission's various initiatives on the taxation of energy and associated emissions. This issue had great relevance in 2021 with the publication by the European Commission of the "Fit for 55" initiative, which proposes major developments in this area.

Founding member of the EITI:

On another note, Repsol is a founding member of the [EITI](#). This initiative was born in October 2002 with the aim of promoting transparency and accountability in resource-rich countries to mitigate the negative effects of mismanagement.

The EITI sets a global standard for companies to publish what they pay and for governments to report what they collect, in a process that emphasises multi-stakeholder participation, thereby strengthening companies' cooperative relationships with governments.

Since its launch, EITI has become the global standard (supported by more than 40 oil, gas and mining companies and more than 50 countries) that promotes increased transparency in a context of respect for contracts and laws.

In 2021, Repsol has signed a commitment within the EITI to promote transparency in relation to beneficial ownership, the first non-mining energy company to sign such an agreement.

B-Team

Repsol has been a member of the Responsible Tax Principles since 2018.

Adhering to the B-Team Principles of Responsible Taxation:

Last but not least, it is worth mentioning our participation in the [B-Team](#), a non-profit initiative sponsored by a group of global leaders in politics and finance that aims to be a catalyst for a new way of doing business, focused on the well-being of people and the planet.

Within the B-Team, together with other multinationals and in collaboration with investors, international organisations and NGOs, we have drafted the [Principles for Responsible Taxation](#), to which we adhered in 2018.

These principles cover relevant areas of tax management, interaction with tax authorities and transparency and aim to become a global standard of good practice to inspire responsible tax behaviour by the business community.

In recognition of our commitment to transparency, in 2020 the *B-Team* published a [case study](#) highlighting Repsol as one of the "most radically transparent" multinationals from a tax perspective.

In 2021, we continued to participate in the two working groups created for this purpose: one to further develop the practical application of the principles of Responsible Taxation and the other to focus on the different existing reporting standards and the information provided to stakeholders.

Responding to public consultations through EU sectoral fora:

In the EU, Repsol participates actively through [Fuels Europe](#) and [Eurogas](#) in the anticipation and review of regulatory changes in the area of indirect taxes made by the European Commission, as well as in lobbying work related to these changes.

In 2021, Repsol's participation in the response to the public consultation on the revision of the Energy Taxation Directive was significant.

Other partnerships:

Finally, it is also worth mentioning our participation in other professional and business associations, such as the [International Fiscal Association](#), the [International Tax and Investment Center](#), the Tax Commission of the [Spanish Confederation of Business Organisations](#), etc., through which we try to convey our commitment to building a fairer and more effective tax system.