



**REPSOL Group**

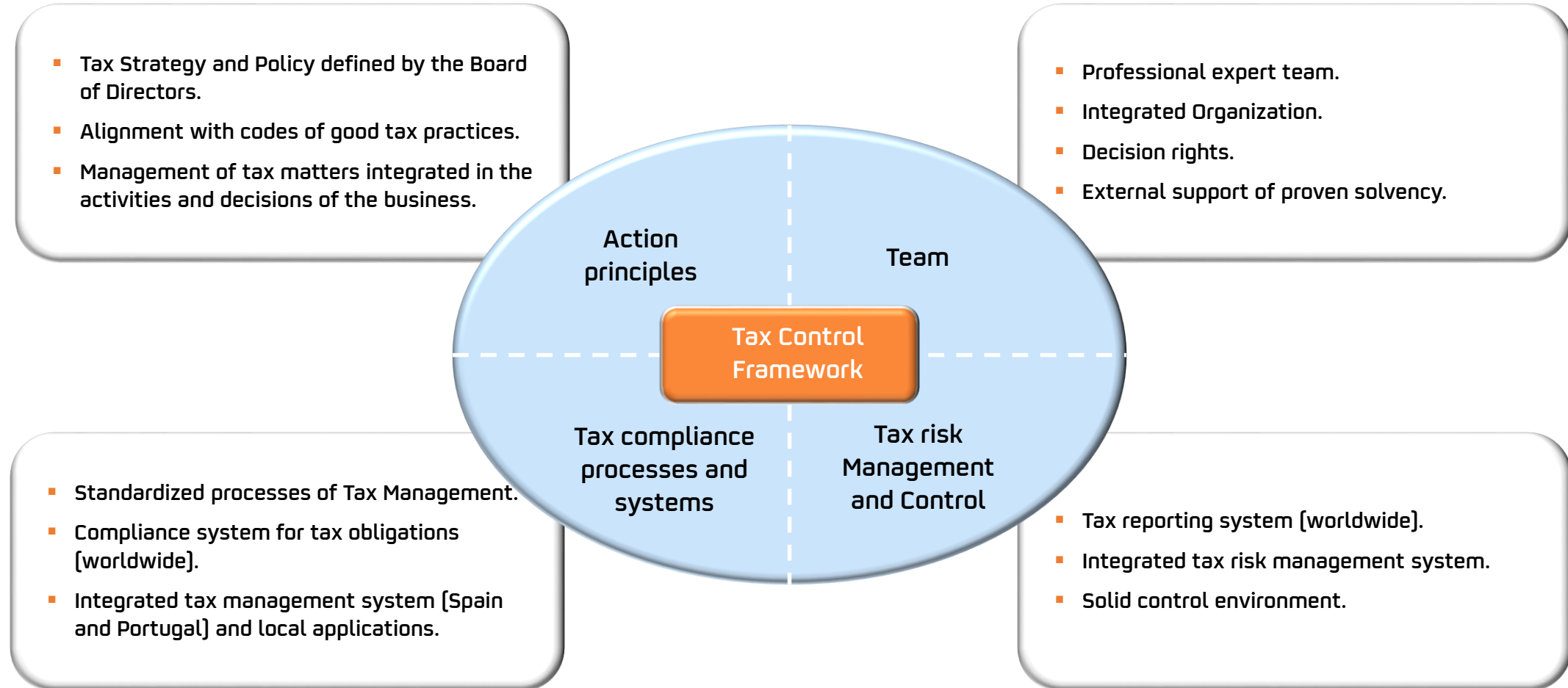
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**2019**

**Tax Control Framework**

# Pillars of the Repsol Group Tax Control Framework

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



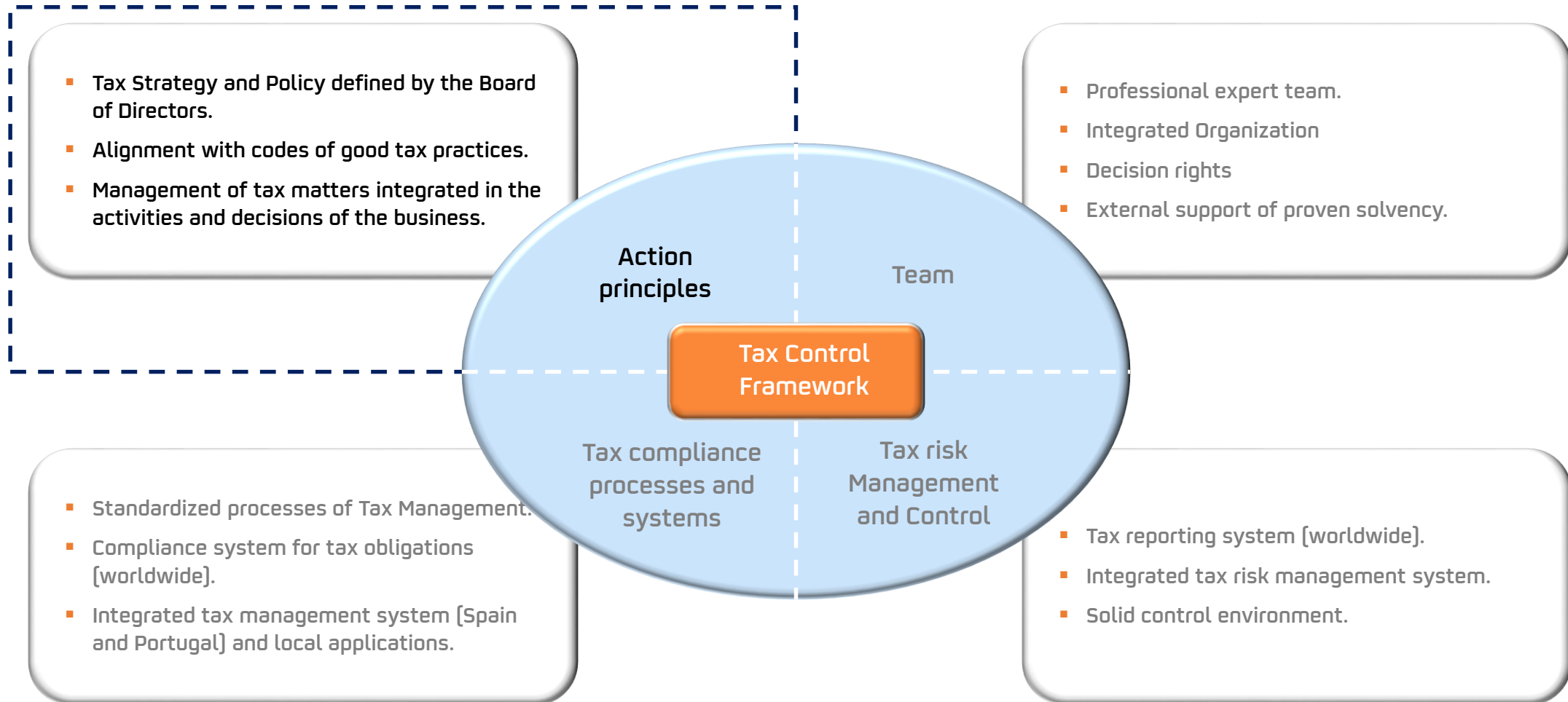
The OECD links the regulatory compliance programs based on legal certainty and the reduction of compliance costs in exchange for a higher level of transparency by companies when disclosing their tax risks.

Key elements  
and blocks of a  
Tax Control  
Framework  
[TCF]

- **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.
- **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.”*

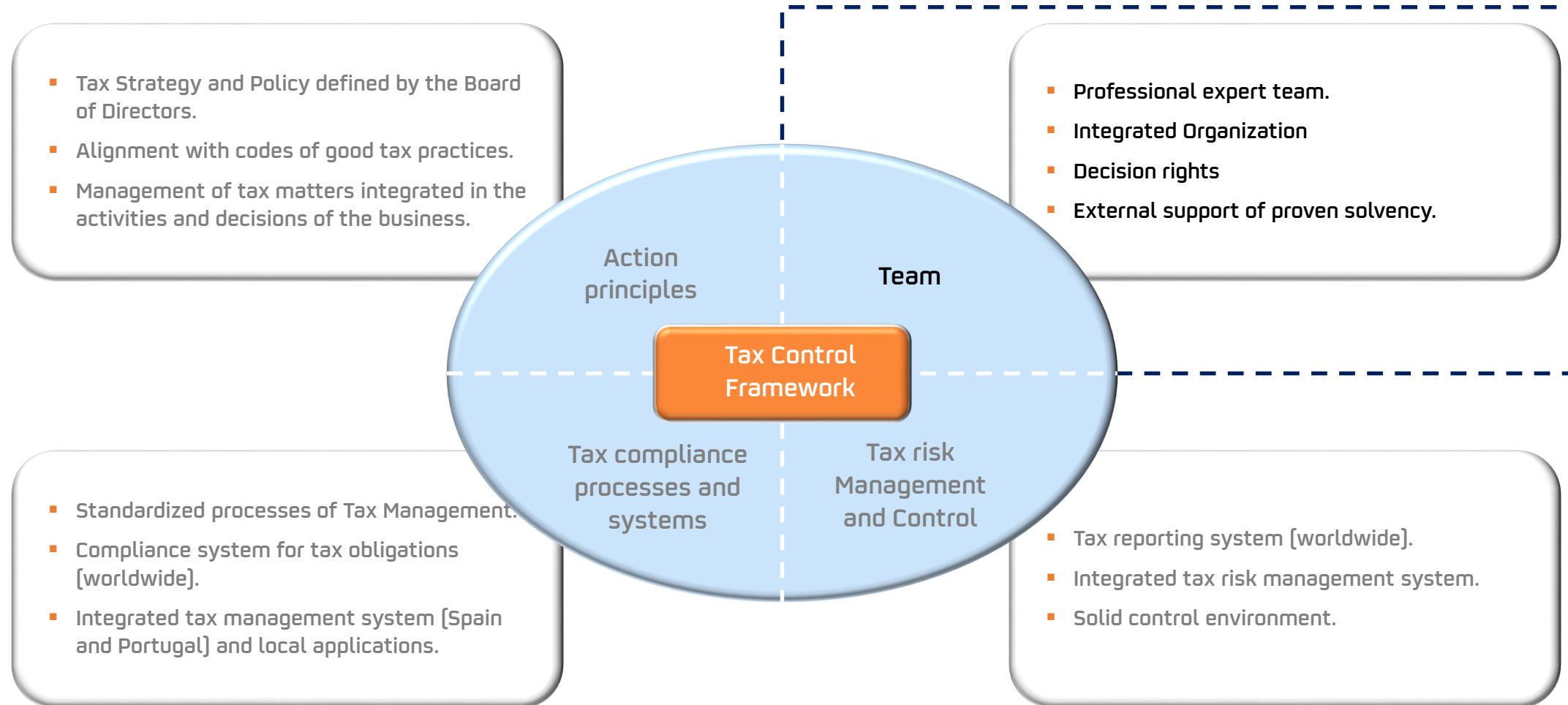
- The tax policy is based on 5 Principles of mandatory compliance for all companies and employees:

Principles	Commitments
1. Responsible compliance	<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>
2. Tax efficiency	<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>
3. Tax Risk Prevention	<ul style="list-style-type: none"> <li>Orderly and expert tax management.</li> <li>Control systems and management of tax risks.</li> </ul>
4. Cooperative Relations	<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>
5. Transparency	<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.**

# Pillars of the Tax Control Framework

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



# Qualified and trained expert Tax Team

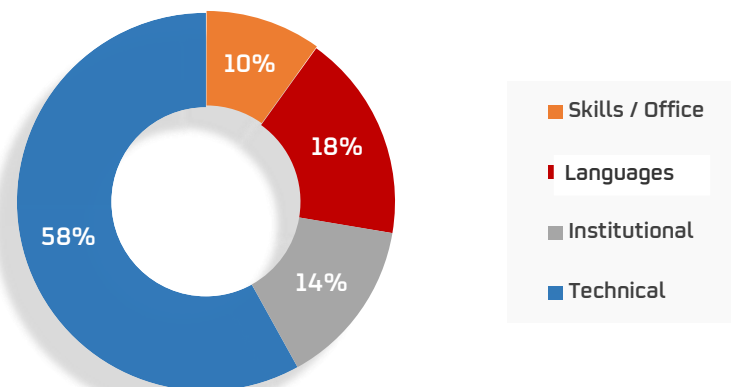
Integrated and decentralized organization

- The Tax Area is responsible for the management of all tax matters regarding the different businesses and areas of the Group, in all its phases and aspects (compliance, advice, planning, risk and dispute management, litigation, etc.)
- All Tax Units have dependence on the Economic and Tax Corporate Director, in order to guarantee the application of the Group's tax policies, the control of tax risks and the use of the tools to optimize tax management.
- To adequately address the particularities and singularities of each business and tax system, the responsibility for the management of tax matters is assigned locally, to tax units in each country / business.

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

Continuous training

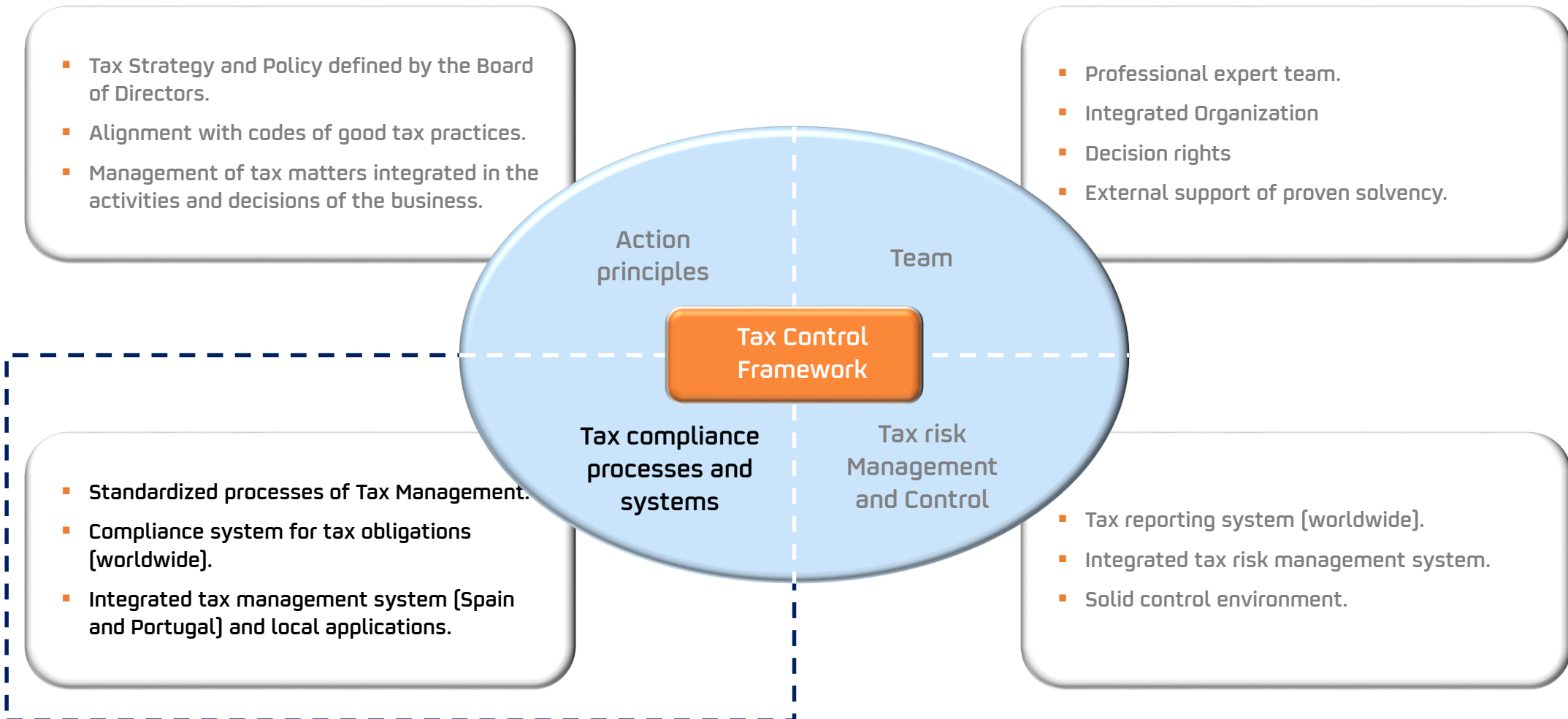
Thematic Training Areas [% hours]



**Dedication Index 2019:  
+ 3% theoretical day.**

# Pillars of the Tax Control Framework

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



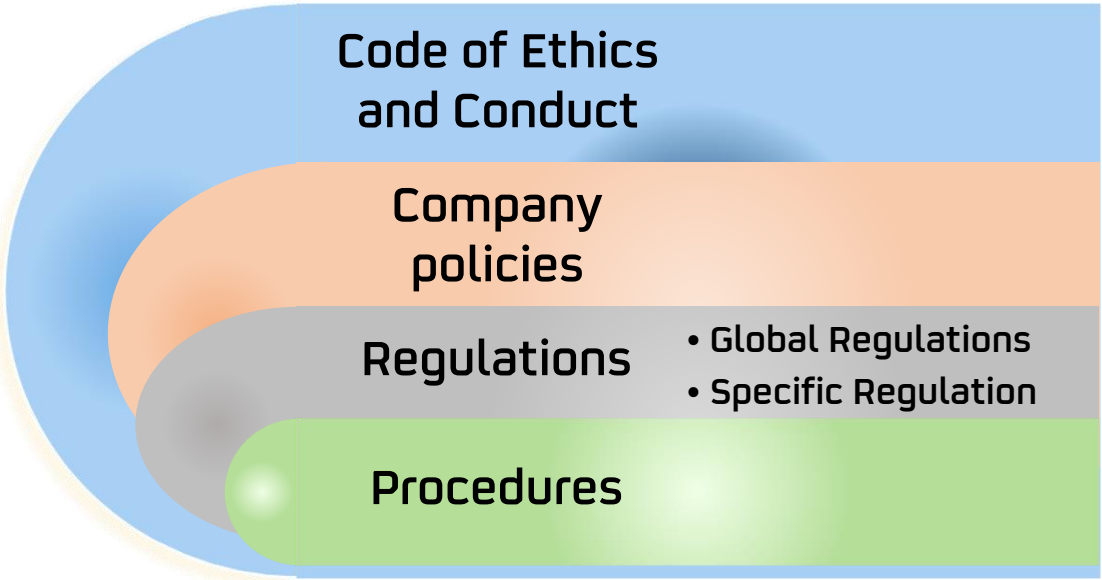


# Regulatory Management Framework



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.

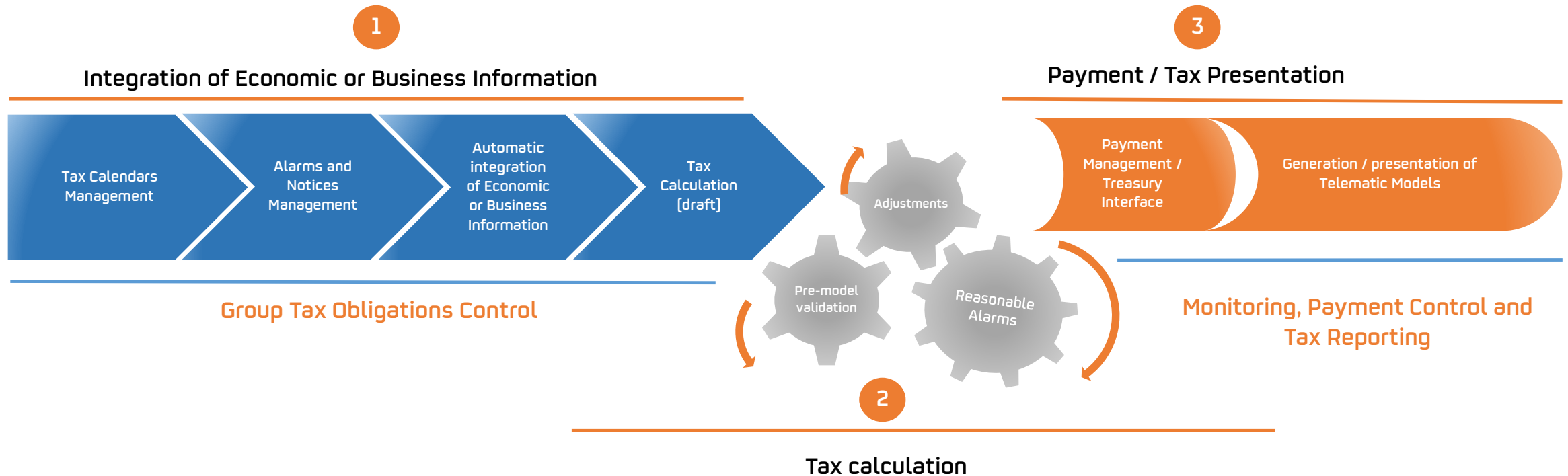


- **Code of Ethics and Conduct:** general guidelines that guide the actions of the company and all its employees in accordance with certain ethical principles and values.
- **Company Policies:** aimed at stakeholders, they are a declaration of global commitments and management principles.
- **Regulations:**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

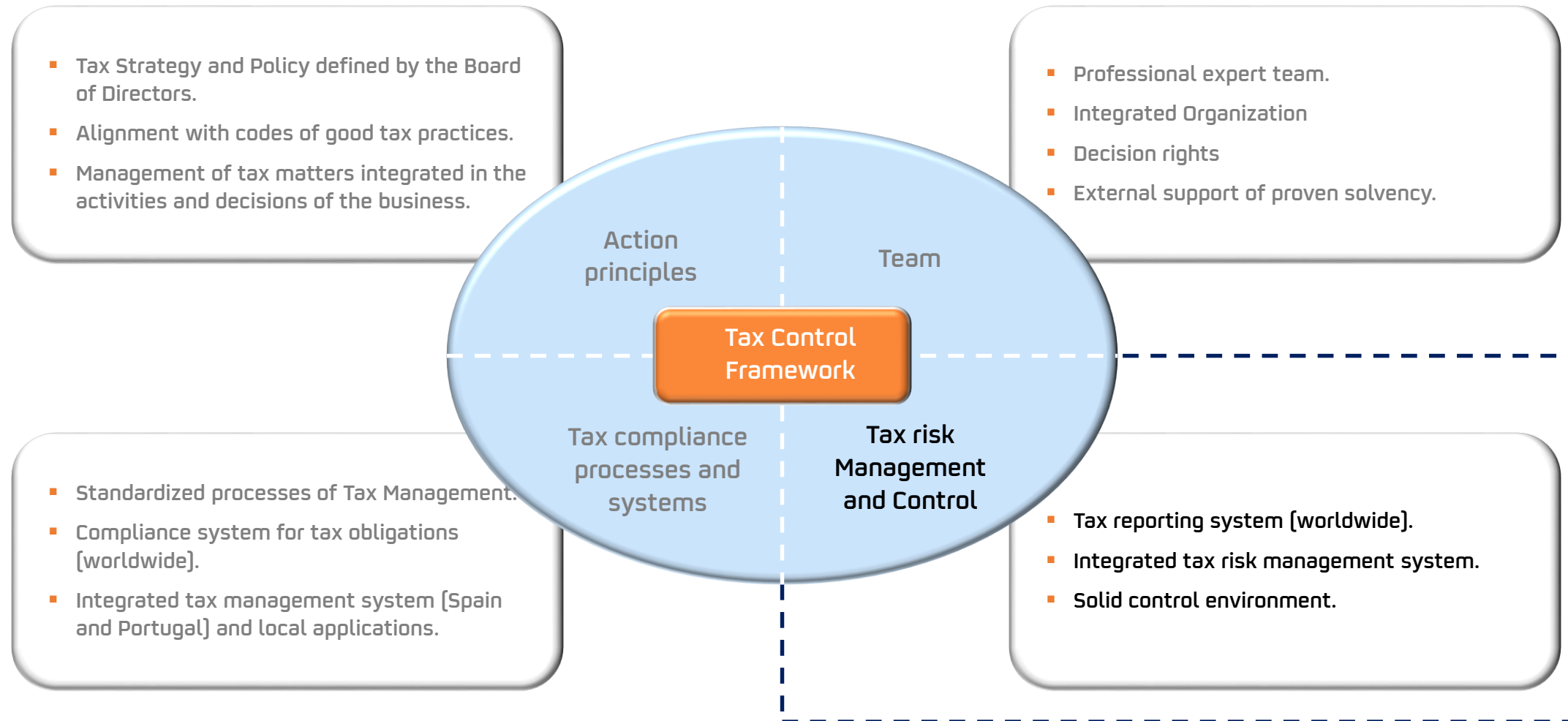
**Processes and systems for tax management**

- 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”.



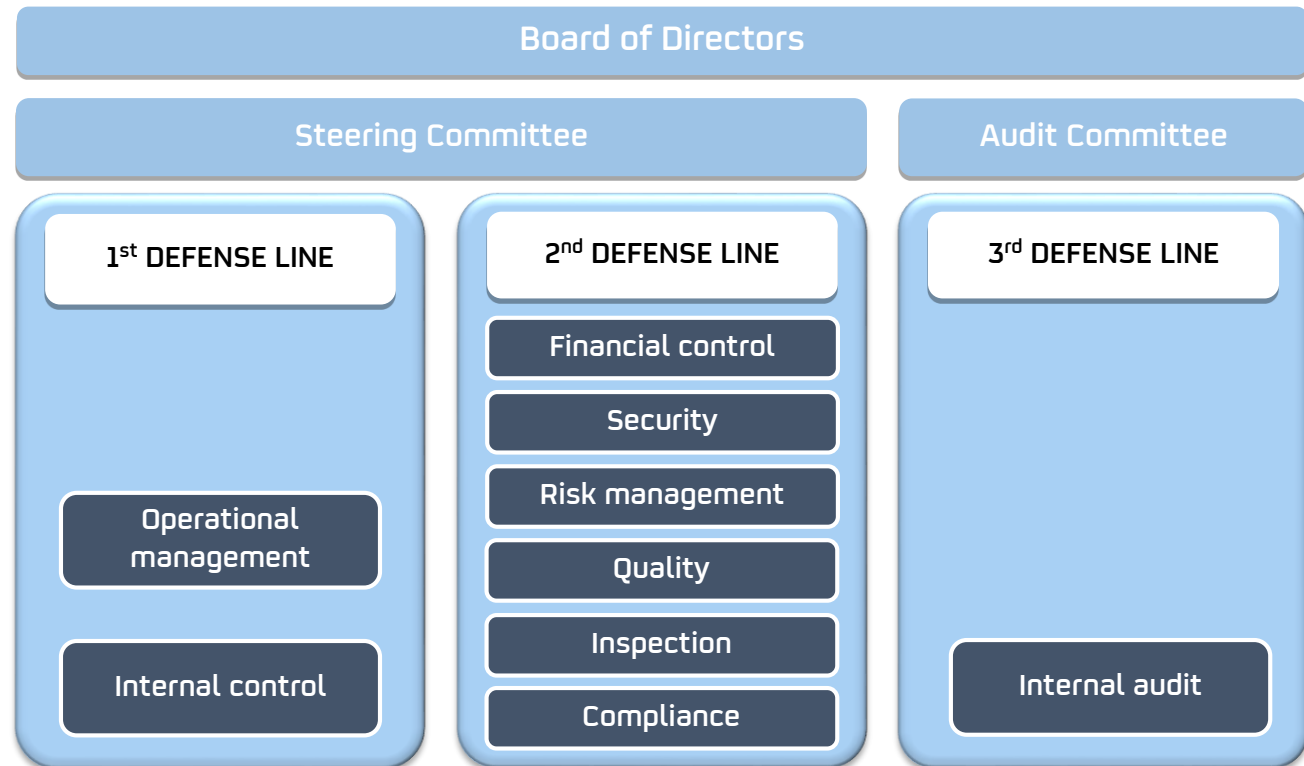
# Pillars of the Tax Control Framework

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

1<sup>st</sup> Line: Management Units  
2<sup>nd</sup> Line: Supervisory Units  
3<sup>rd</sup> Line: Audit Units