

REPSOL Group

2022

Cooperative
Relationships



Repsol Compromiso
Cero Emisiones Netas
2050



Introduction

The strengthening of relations with tax administrations based on trust, good faith, professionalism, loyalty and the search for mutual understanding is one of the principles on which our tax strategy and policy are based.

Faithful 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.

Abbreviations and acronyms

ACAP: *Assisted Compliance Assurance Programme* [Singapore]

AEAT: *Agencia Estatal de Administración Tributaria* [Spain]

AT: *Portuguese Tax Agency*

BIAC: *Business and Industry Advisory Committee* [now *Business at OECD*]

CAP: *Compliance Assurance Process* [USA]

CBPT: *Code of Good Tax Practice*

CEOE: *Confederación Española de Organizaciones Empresariales* [Spanish Confederation of Employers' Organisations]

CRA: *Canada Revenue Agency*

DTA: *Dutch Tax Authority*

ICAP: *International Compliance Assurance Programme*

IVTF: *Voluntary Tax Transparency Report*

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* [USA]

MAP: *Mutual Agreement Procedure*

OECD: *Organisation for Economic Co-operation and Development*

AEO: *Authorised Economic Operator*

EU: *European Union*

UN: *United Nations*

SP: *Strategic Plan*

Tax Principles

Repsol aims to maintain a cooperative relationship with the main tax administrations in the countries where it operates.

Repsol and compliance initiatives / cooperative relationship

	<u>Scope</u>	<u>Initiative</u>	<u>Milestones</u>
Cooperative Relations	Spain	AEAT - CBPT	Accession 2010. IVTFs have been submitted continuously (since 2015). Proactive reporting of relevant transactions
	Brazil	CONFIA Programme	Active participation in all working groups formed for the preparation of reports on Tax Control and the Code of Best Practices.
	Canada	CRA cooperative relationship	The positive experience of <i>ICAP</i> has allowed Repsol to access agile early detection / dispute resolution mechanisms.
	Spain / EU	Authorised Economic Operator	Recognition as reliable operators in foreign trade (security and good practices in the international supply chain of goods).
	USA. USA.	IRS cooperative relationship	Extended the "low risk" rating to periods beyond its participation in <i>ICAP</i> , establishing cooperative relationship formulas.
	The Netherlands	Horizontal Tax Monitoring	Not participating in the programme, but has established with the authorities similar standards of review and control that serve a similar purpose.
	Peru	Authorised Economic Operator	Recognition as reliable operators in foreign trade
	Portugal	Risk assessment programme	Founding member of the Fórum de grandes empresas. Leadership in the drafting of the Portuguese <i>CBPT</i> .
	United Kingdom	Risk review	Qualified as "low risk" taxpayers by <i>HMRC</i> . Participation in <i>D&G Industry Direct Tax Forum</i>
	Singapore	ACAP	Voluntary accession to the programme for the review of internal procedures for indirect taxation as a compliance guarantee
Compliance programmes	OECD	ICAP	Participation in the 2016 pilot programme. Repsol, classified as a low-risk contributor of non-compliance in the areas reviewed.
	EU	ETACA	Participation in the pilot programme ("European <i>ICAP</i> : Multilateral Review of Certain Related Party Transactions)
Presence in cooperation forums	UN	UN Subcommittees	Since 2014 Repsol has been a member of various UN taxation subcommittees, in particular on <i>E&P</i> and environmental taxation.
	OECD	Business at OECD (BIAC)	Official body representing business interests in the OECD
	Corporate	ICC	<i>Vice-chair</i> of the <i>ICC</i> tax committee. Co-editor of the handbook " <i>Cooperative Compliance</i> " (Univ. of Vienna) and on carbon pricing.
	International	EITI	Founding member. Promoting transparency and accountability in countries with extractive industries to avoid "mismanagement".
	International	B-Team	Repsol endorsed the "Principles of responsible taxation". Described as a "radically transparent" multinational in the tax area.
	Corporate	Several associations	Active participation in the Tax Commission of <i>Business Europe</i> , <i>CEOE</i> and sectoral organisations.

Actions in the field of cooperative relations

As established in Repsol's Tax 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.
- Prioritise 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 show 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 Large Companies Forum, its objective, among others, is to promote 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 application of the tax policies

In accordance with the provisions of the CBPT, the company's head of taxation reports to the **Board of Directors** and, at least once a year, to the **Audit and Compliance Committee**, on the tax policies 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 the specific evidence 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 Council

The Governing Council monitors the Tax Strategy and the implementation of Tax Policy.

Submitting the IVTF

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

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

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

Thus, the AEAT has welcomed Repsol's initiative and commitment to transparency as expressed in 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"*.

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 and 2021 financial years. This is a public recognition of the proactivity shown by Repsol and the rest of the companies that submit this report. As the AEAT points out on the same page, *"these reports submitted by 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"*.

Regular meetings with the AEAT on co-operative 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.

In the words of the AEAT, these initiatives allow it 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"*.

IVTF

Since 2015 Repsol has submitted the Voluntary Transparency Report, improving its content following the suggestions of the AEAT.

Brazil. Active participation as coordinator in the CONFIA programme.

In November 2021, the Brazilian Federal Administration (*Receita Federal do Brasil*) invited Repsol Sinopec Brasil, S.A. to participate in the design of the collaborative programme called *CONFIA*.

Inspired by the co-operative relationship models promoted by the OECD, *CONFIA* aims to foster a culture of tax compliance and a new type of relationship between tax authorities and taxpayers in Brazil. The *CONFIA* programme is being developed in different stages and is targeted at major Brazilian companies. Different working groups have been formed to prepare Tax Control reports and a Code of Good Tax Practices to be implemented by companies in the future [approximately from July 2023].

Repsol Sinopec Brasil S.A. is actively participating in all the working groups and is one of the nine voluntary companies participating in the test phase, which started in September 2022 and will last until approximately March 2023.

Canada. Good tax practices with the CRA.

Repsol maintains continuous communication with the Canadian tax authorities through regular meetings in which they share perspectives on the taxation applicable to the Group's different operations. In this context, in past years various conflicting issues have been resolved by means of agreements or special 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 worth mentioning the collaborative relationship approach proposed by Repsol to the *IRS* and based on the *ICAP* experience, which has allowed it to extend the "low risk" rating obtained under that programme to subsequent 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.

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Objective:

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

In this regard, Repsol holds informal meetings with the *IRS* to explain the group's main operations in the US.

The Netherlands. Implementation of the horizontal tax control programme.

In this jurisdiction the concept of *horizontal tax monitoring* refers to a scheme of action that serves as a regulatory reference framework for the development of cooperative relations between companies and the tax administration. In December 2021, the Dutch tax authorities published a guide for companies.

The taxpayer voluntarily and periodically provides information on its tax control framework. In particular, it reports on tax strategy, tax functions, control mechanisms, compliance monitoring and tax reporting.

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 (i) medium-sized companies with a strong presence in the Netherlands and (ii) all companies that do not meet the above-mentioned categories if they fulfil certain requirements.

Although Repsol does not formally participate in 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 OAS.

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 belongs 29 companies.

The main actions of the Forum focus on the following 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 for 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 on the parties. It is intended to facilitate a better understanding of the company by the administration for the purpose of assessing whether or not to initiate a formal tax audit 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 facilitates 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 Oil & Gas 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 *Oil & Gas* tax legislation.

Singapore. Accession to the *ACAP* programme.

Since 2016, Repsol has voluntarily engaged into 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 channels 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- ETACA

Repsol Spanish company invited to participate in the first multilateral relationship programmes (*ICAP* of the OECD and *ETACA* of the EU).

OECD: We participated in the first *ICAP* programme

In 2018 Repsol was invited to participate in the first *ICAP* programme, an OECD initiative that aims to increase cooperation between tax administrations for the supervision of tax risks in multinational groups in relation to transfer pricing and permanent establishments. Repsol's assessment involved the tax administrations of Spain, the US, Canada, the Netherlands and the UK.

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

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, with the first pilot with participating companies taking place in 2022. This initiative represents one of the European Commission's lines of work aimed at facilitating corporate tax compliance, and is based on a relationship of enhanced cooperation, transparency and mutual trust, as announced in the "tax package" presented in July 2020.

During 2020 Repsol already participated in the design of *ETACA* at the request of the European Commission, holding meetings together with other taxpayers and the Commission itself in order to provide feedback and share experiences on its participation in cooperative compliance programmes, both national and international (i.e. *ICAP*). Once the programme was designed, Repsol was invited by the Spanish tax authorities to apply to participate in the first pilot and, during 2022, we have participated in the programme, currently in a "risk assessment" phase, providing information and holding meetings with the tax administrations so that they can give their opinion on the level of tax risk of the areas examined.

Collaboration in tax forums

Tax framework International

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

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 arise.

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 is 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 others, in the following documents:

- [*"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, and is currently leading, the technical direction of some of them at the express request of the Committee.
- [*"Handbook on Carbon Taxation for Developing Countries"*](#), in which Repsol has actively participated in the drafting of some sections.

BIAC Taxation Committee:

We are members at the Tax Committee of *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 2022 Repsol, through the *BIAC* Committee on Taxation and Tax Policy, participated in the "Pillar 2" working group following the publication of the anti-erosion measures on the tax base aimed at ensuring 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*" and in the document on the principles that should govern an adequate carbon rights pricing system, presented during COP27.

Business Europe 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 *Green taxation*, which deals with the Commission's various initiatives on the taxation of energy and associated emissions. This issue was of great importance 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 in order to mitigate the negative effects of mismanagement and to fight corruption and tax evasion.

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

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.

The EITI has recently refined its member company initiatives to support gender equality and transparency of trading company profits, especially in transactions with state-owned companies.

Adhering to the *B-Team* Principles of Responsible Taxation:

B-Team

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

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.

As part of the *B-Team*, together with other multinationals and in collaboration with investors, international organisations and NGOs, we drafted the [Principles for Responsible Taxation](#), which we endorsed 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 and 2022, we continued to participate in the two working groups created for this purpose: one to deepen 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.

During 2022, we carried out a compliance *peer-review* together with another *B-team* member company regarding the commitments to the principles of responsible taxation. The result of the review corroborated Repsol's full compliance with all the principles, as reflected in the self-assessment published on our website.

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, the impact of the proposed revision of the Energy Taxation Directive (ETD) was studied and analysed, with Repsol's participation in the response to the public consultation in relation to it being relevant.

In 2022, possible modifications that may be made by the technical analysis working groups maintained by the Member States have been monitored.

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 build a fairer and more effective tax system.
