CEPSA

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Cepsa 2018

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The Board of Directors of COMPAÑÍA ESPAÑOLA DE PETRÓLEOS S.A.U. (CEPSA) is the governing body in charge of approving and implementing the corporate policies for the companies of the CEPSA Group, and for developing its tax strategy. The Board is also responsible for adopting decisions on corporate transactions which, due to their amount, structure or conditions, may have significant implications from a tax standpoint.

In exercising its duties and responsibilities, the Board of Directors of CEPSA hereby approves this *Corporate Tax Policy* which sets out the tax strategy of the CEPSA Group and its commitment to the implementation of best tax practices.

1. PURPOSE

The CEPSA Group's tax strategy seeks above all to comply with all tax regulations that are applicable to its activities and to ensure that this principle is observed by each and every one of the companies belonging to the CEPSA Group, acting in the best interest of society while seeking to achieve the Company's long-term business objectives and at the same time, endeavoring to avoid tax risks or inefficiencies in the pursuit of its business and financial activities.

The CEPSA Group strives to be responsive to the needs and concerns of its stakeholders, whether public or private. The Group is fully aware of the benefit to society, and to its economic growth and prosperity, arising out of the tax contributions it makes in the countries and jurisdictions where it operates and that such revenues support the government funding needed to deliver the basic programs, services and infrastructures that help individuals, families and communities as a whole.

2. PRINCIPLES

The *Corporate Tax Policy* of the CEPSA Group shall be guided by the following Principles with regard to the fulfillment of its tax obligations and its relationship and dealings with the tax authorities of the jurisdictions and countries where it operates:

a. The Group shall at all times respect and comply with local and national laws governing its activities in the countries and jurisdictions where it conducts its businesses, honoring its disclosure and reporting obligations and paying all taxes that are legally due under applicable tax regulations.

b. The Group shall base decisions that have tax implications or consequences on a reasonable and justifiable interpretation of the tax rules and regulations applicable to its financial transactions.

c. The Group shall endeavor to prevent and mitigate the tax risks associated with possible differing or conflicting interpretations of tax regulations.

d. The Group shall make every effort to ensure that its taxes adequately reflect and are consistent with the structure and location of its activities, the associated human and material resources and the assignment of business risks to its different units.

e. The Group shall strive to build positive, transparent and constructive relationships with the tax authorities of the countries and jurisdictions where it operates, based on the principles of trust, cooperation, good faith, professionalism, mutual respect and reciprocity, without prejudice to the possible conflicts and disputes that may arise with regard to the interpretation and implementation of applicable tax regulations, which shall be resolved through the appropriate legal channels and always observing the aforementioned principles.

f. The Board of Directors shall be informed of any relevant tax repercussions of the investments or proposals submitted for its approval, particularly when they may be a key factor in reaching a decision.

3. GOOD TAX PRACTICES

Applying the aforementioned principles and guidelines, the Group adheres to the following good tax practices:

a. To limit or mitigate significant tax risks and prevent conduct or practices that could encourage and foment such risks.

b. To avoid the use of opaque structures for tax purposes, such as holding companies or special purpose vehicles in tax havens or secrecy jurisdictions, which are intended to conceal the identity of the party who is ultimately responsible for the activity or the beneficial owner of the assets or rights involved, or to conceal relevant information regarding tax liabilities from the corresponding tax authorities.

c. To avoid the erosion of the tax bases of any Group company through transfer pricing arrangements that are not on an arm's length basis to carry out related-party transactions.

d. To avoid the creation or incorporation of companies in tax havens or countries with low tax burdens, unless there are well-substantiated economic reasons for doing so or such companies have been acquired directly or indirectly through the acquisition or takeover of another group of companies.

e. To adhere to the recommendations contained in Codes of Good Tax Practices that are in force in countries or jurisdictions where the Group carries out its business activities. In Spain, CEPSA adhered to the Code of Good Tax Practices approved on July 20, 2010 by the Plenary Session of the Large Companies Forum established on July 10, 2009 under the auspices of the Spanish Tax Agency.

f. To cooperate with the respective Tax Agencies of the countries and jurisdictions where the Group operates, providing tax-related information as required and any other information as requested by said agencies whenever feasible.

g. To assist the Tax Agencies in their inspections, submitting all information requested and providing its fullest cooperation in tax reviews conducted by the competent government bodies, endeavoring wherever possible to reach reasonable agreements in order to avoid or reduce tax-related litigation.

h. To cooperate with the competent tax authorities of the countries and jurisdictions where the Group operates in identifying and combating fraudulent tax practices that may occur in the market, so as to eliminate those that are already in place and prevent them from developing further.

4. OVERSIGHT AND CONTROL

The Group shall adopt the necessary and advisable control mechanisms to guarantee compliance, by all the companies of the Group and in all the countries and jurisdictions where it operates, with applicable tax regulations, within the framework of the aforementioned principles.

The Group shall make every effort to ensure that such controls are effectively implemented by providing the necessary human and material resources for such purposes.

The Board of Directors shall be apprised from time to time on the tax policies and criteria used within the Group for each business year and in particular, the degree of fulfillment of this *Corporate Tax Policy*.

The Group shall do its best to ensure that the Directors or Boards of Directors of its subsidiaries adopt similar procedures within the scope of their responsibilities.

5. DISTRIBUTION AND AMENDMENT OF THIS CORPORATE TAX POLICY

The Board of Directors of the Company shall promote due observance of the principles and good tax practices set forth in this *Corporate Tax Policy* by the companies that make up the CEPSA Group and by their employees.

This Policy will be published on Cepsa's website and made available through the usual channels. The overall responsibility of this Policy shall lie with the Board of Directors, who may amend and update its contents from time to time to reflect regulatory changes and new standards on tax-related matters.

This *Corporate Tax Policy* was approved by the Board of Directors on December 10, 2015.

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