

## **Repsol Sinopec Resources UK Limited**

### **Group Tax Strategy Statement**

- Repsol Sinopec Resources UK is an oil and gas exploration and production business operating in the North Sea. The business is committed to safe, sustained, cost-effective production and to responsible stewardship of a mature operating portfolio.
- The safety of our people, integrity of our assets and protection of the environment are our top priorities.
- The Group is subject to a range of UK taxes; applicable taxes include corporation tax, petroleum revenue tax and employment taxes. In addition, the Group is responsible for the collection and payment of taxes – employee taxes, VAT and excise duties - to HM Revenue & Customs. The taxes paid and collected by the Group form a significant part of the Group’s economic contribution to the UK Exchequer.
- The Group is committed to:
  - Managing its tax affairs in a responsible, proactive and transparent manner,
  - Making tax decisions that are consistent with (1) the Group’s Code of Conduct and, (2) the wider business strategy of the Group,
  - Ensuring appropriate tax accounting arrangements (in the form of processes, systems and controls) are in place, and
  - Maintaining a professional and collaborative relationship with HM Revenue & Customs.
- The Group Tax Strategy Statement applies to Repsol Sinopec Resources UK Limited and each of its wholly owned UK subsidiaries; collectively referred to as “the Group”.
- The Group operates in the UK North Sea and has no ownership or interest in any overseas companies (including entities located in tax havens).

#### **Approach to risk management and governance arrangements:**

- The Group manages and, wherever possible, minimises tax risk in a proactive manner through a process of identification, evaluation, mitigation and ongoing management and review.
- The Group has and will continue to act with integrity and transparency, complying with both the letter and spirit of relevant laws, rules, regulations and reporting and disclosure requirements.
- Compliance for the Group comprises (1) paying the correct amount of tax at the right time, (2) completing accurate returns (whilst recognising legislative concessions and reliefs), and (3) maintaining an open and co-operative relationship with HM Revenue & Customs.

- Tax governance and assurance procedures are aligned with the Group's wider approach to corporate governance.
- The Group has established and maintains various tax risk management processes and systems. Such processes and systems provide an appropriate framework to manage the specific compliance and transactional tax risks that the Group is exposed to.
- Tax accounting arrangements are considered to be fit for purpose i.e. relevant tax liabilities are calculated accurately in all material respects. Internal control procedures provide an effective means of assessing the robustness of those arrangements.
- Responsibility for the tax strategy, the supporting governance framework and management of tax risk ultimately resides with the Chief Financial Officer (CFO). Day-to-day responsibility for each of these areas resides with the Group Head of Tax.
- The Group Head of Tax is supported by a team of in-house professionals who hold a combination of tax and accounting qualifications.
- The internal tax specialists have the skills and experience (build up over a number of years within the Group tax function) to manage the tax risks of the Group and implement and maintain policies, procedures and controls appropriately and consistently.
- For each class of taxation – corporate taxes, petroleum revenue tax, indirect taxes, employment taxes - lines of responsibility and accountability are well established and maintained.
- Diligent professional judgement is applied at all times.
- The Group continues to demonstrate its commitment to tax transparency by publicly disclosing all payments to, and receipts from, Government bodies under the Extractive Industries Transparency Initiative.
- The Group fully complies with the mandatory reporting obligations under the *Reports on Payments to Governments Regulations 2014*, requiring companies active in the extractive industries to publish reports on payments to and from governments.

**Attitude to tax planning:**

- All commercial activity, including associated tax planning, is undertaken (1) within the context of the commercial needs of the group, and (2) in accordance with the Group's Code of Conduct.
- The Group utilises tax incentives or opportunities for obtaining tax efficiencies where these are aligned with the intended policy objectives of Government and are not considered to carry significant risk of damaging the Group's relationship with the tax authorities.
- The "arm's length" transfer pricing principle is applied by the Group in all intra-group transactions.
- For certain transactions, where there is a material level of uncertainty or complexity, the Group will seek external advice to help reduce risk.
- The Group does not engage in aggressive tax planning or contrived or artificial tax avoidance schemes.

**Level of risk group is willing to accept:**

- Tax decisions will be made that are consistent with the overall business strategy. Where possible, the Group will always aim for certainty on the tax positions that are adopted.
- An element of tax risk may be maintained where it is consistent with the Group business strategy and where the potential outcome is within the Group's risk tolerance.
- Where there is uncertainty regarding the application or interpretation of law, advice evidencing the facts, risks and conclusions may be sought from third party advisers to support the decision making process.
- The Group does not enter into artificial arrangements that lack commercial purpose in order to secure a tax advantage.
- The Group does not tolerate tax evasion, nor does it tolerate the facilitation of tax evasion by any person(s) acting on the group's behalf. The Group has put in place reasonable measures to prevent its associated persons from committing tax evasion facilitation offences.

**Approach towards dealing with HMRC:**

- The Group is committed to the principles of openness and transparency when dealing with all tax authorities. Dealings will be conducted by the Group in a collaborative, courteous and timely manner.
- In respect to UK taxation, the Group engages proactively with HM Revenue & Customs ("HMRC") developing a professional and co-operative working relationship.
- The Group will always strive to be proactive, discussing potential issues on a 'real time' basis, prior to tax return submissions. Provision of full and accurate answers to queries, open and honest dialogue and a willingness to reach agreement underpin the Group's relationship with HMRC.
- From time to time, our views on the appropriate tax treatment in any given case may differ from those of the tax authorities. Where such circumstances arise, we will work constructively with HMRC with a view to achieving an early resolution to any matters arising.

**Statement of compliance:**

- The online publication of this Group Tax Strategy Statement is regarded as satisfying the statutory obligation under Para. 16(2), Schedule 19 of Finance Act 2016.
  - This Group Tax Strategy Statement has been approved by the Board of Directors of the Group.
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