

# TAX RISK MANAGEMENT AND CONTROL POLICY



27 October 2016 <sup>1</sup>

<sup>1</sup> Date of approval by CaixaBank, S. A.'s Board of Directors

## 1. INTRODUCTION, OBJECT AND SCOPE

Responsible tax conduct is part of the values and heritage of CaixaBank, an institution that is fully committed to contributing to sustainable development and social progress in the communities where it operates.

By fulfilling this tax commitment, in March 2015, CaixaBank's Board of Directors approved the institution's implementation of the Large Enterprise Forum's Code of Good Tax Practice. Likewise, the Tax Strategy of CaixaBank and the companies belonging to its business group (hereinafter referred to as the "Caixa-Bank Group") was approved by CaixaBank's Board of Directors in December 2015.

CaixaBank's Tax Strategy outlines the following strategic tax principles:

1. Economic motivation in fulfilling the tax obligations.
2. Transparency and cooperation in fulfilling the tax obligations.
3. Diligence and control in fulfilling the tax obligations.

These strategic principles are in line with the tax operating principles and are developed in the Tax Risk Control and Management Policy.

All companies in the Group and their employees must abide by this Policy.

## 2. LEGAL FRAMEWORK

Article 529 ter of the Spanish Capital Companies Act (Legislative Royal Decree 1/2010) determines that it is the Board of Directors' non-delegable duty to draw up the Tax Strategy and the risk control and management policy, including tax risks, and to monitor the internal information and control systems.

The Board of Directors is therefore responsible for approving the Tax Risk Control and Management Policy.

The law also assigns it the non-delegable duty to approve investments and transactions of all kinds if they imply a special tax risk due to their high amount or special strategic nature, unless such approval lies within the competence of the General Shareholders' Meeting, and to approve the creation or acquisition of interests in special purpose institutions or those that have their registered office in a tax haven, along with any other business or transactions of a similar nature that could diminish the company's or its Group's transparency due to their complexity.

## 3. TAX RISK

The tax risk, object of the control and management in this Policy, is the risk of a detrimental impact on the financial situation and/or the reputation of the CaixaBank Group that could arise from tax-related decisions adopted either by the institution or by the judicial and tax authorities.

CaixaBank's tax-related decisions must be adopted taking into account the tax risk according to the tax operating principles explained below.

## 4. TAX OPERATING PRINCIPLES FOR CONTROLLING AND MANAGING THE TAX RISK

The applicable tax operating principles for managing the tax risk ensure suitable fulfilment of the strategic tax principles and are in line with the CaixaBank Group's general risk management policy and its intention to protect the low tax risk profile that characterises the CaixaBank Group's business.

The tax operating principles that act as a guide for adopting decisions are the following:

1. To provide an economic motivation for the decisions and to efficiently take advantage of the tax benefits determined by the legal regulations on taxation.
2. To make a reasonable interpretation of the regulations with reference to the legislator's intentions and their underlying economic rationale.
3. To avoid interpretations aimed at aggressive tax planning or using contrived and unfair structures that lack economic grounds.
4. To avoid using opaque structures that could be a sign of tax evasion.
5. To avoid operating through tax havens as a general operating principle. Any potential activity in tax havens must be analysed by CaixaBank's Tax Department.
6. To submit any transactions with a potentially relevant tax impact, due to the high amount or special features thereof, to the governing bodies or, if need be, the delegated bodies thereof, after they have been analysed by the Tax Department.
7. To support legal certainty when this is required by means of referring to external expert consultants and/or the competent tax authorities through the voluntary cooperation channels and the measures provide and determined in legal and taxation regulations (queries, assessment agreements, etc.).
8. To promote transparency by suitably notifying all involved business departments and institutions in the CaixaBank Group of the reasons and criteria applied for the decision adopted.
9. To cooperate with the tax authorities, ensuring a relationship based on principles of transparency, good faith and mutual trust that results, among others, in the following actions: (a) diligently providing true and full information in due time and manner; (b) promoting an exchange of proposals with the tax authorities in order to improve the tax system, and (c) cooperating in seeking and finding solutions for fraudulent tax practices in the markets in which the CaixaBank Group operates.
10. To effectively protect the CaixaBank Group's interests by avoiding any unnecessary tax-related disputes and seeking out-of-court settlements whenever this is feasible.
11. To sufficiently document transactions according to the applicable regulations in each jurisdiction for related transactions.
12. To abide by the internal procedures stipulated for managing tax-related decisions and fulfilling the tax obligations, along with the tax risk control procedures.

## 5. OBJECTIVES OF THE TAX RISK CONTROL AND MANAGEMENT POLICY

El Control y Gestión del Riesgo Fiscal tiene cuatro objetivos fundamentales:

1. To identify the tax risk as defined in this Policy.
2. To submit the tax risk for the consideration of the institution.
3. To manage the tax risk in accordance with the tax operating principles.
4. To reduce the tax risk by updating and improving the procedures for controlling and managing tax-related information.

## 6. SYSTEM FOR CONTROLLING AND MANAGING THE TAX RISK.

The efficacy of enforcing the Tax Risk Control and Management Policy and the objectives set therein is ensured by means of functional tools that reduce the risk related to drawing up the tax information used to fulfil the tax obligations.

In addition, the control and management is supplemented by the actions of independent experts in the fields of financial auditing and tax opinions that are requested within the scope of relevant transactions and, ultimately, due to interactions with the Tax Authorities.

In conclusion, this is a system for controlling and managing the tax risk that is aimed at suitably fulfilling the obligations undertaken with the different tax authorities. The legal and tax departments of the institu-

tions in the CaixaBank Group perform the control and management of the tax risk in coordination with the respective corporate and business departments involved in fulfilling the tax obligations.

Moreover, the legal and tax departments of the institutions in the CaixaBank Group and CaixaBank's business departments notify CaixaBank's Tax Department of any tax risk detected that affects the CaixaBank Group due to its importance.

The institutions in the CaixaBank Group must promote the Tax Risk Control and Management Policy in coordination with CaixaBank's Tax Department. Enforcing the Control and Management Policy implies performing the following duties:

1. Promoting the Tax Risk Control and Management Policy in coordination with the departments responsible for the overall risk management in the CaixaBank Group.
2. Managing and ensuring the diligent fulfilment of the tax obligations by setting up processes aimed at guaranteeing such fulfilment and avoiding or minimising the tax risk arising from managing the CaixaBank Groups tax-related business.
3. Determining technical criteria related to tax in accordance with the Tax Strategy and the tax operating principles of the CaixaBank Group and in coordination with CaixaBank's Tax Department.
4. Assessing the tax risk implied by the products marketed and the transactions carried out by the CaixaBank Group and notifying this to the other departments affected in the organisation.
5. Ensuring all tax-related decisions are justified and documented and are adopted at a suitable level of responsibility within the organisation.
6. Seeking advice from external experts of renowned prestige before adopting tax-related decisions, whenever there are different interpretations about tax-related issues that affect the CaixaBank Group's business.
7. Taking part in joint forums with the tax authorities and promoting a good relationship with all of them that is based on principles of cooperation, transparency and good faith.
8. Attending sector forums and promoting influential actions aimed at encouraging change in the tax-related regulations and/or interpretations to achieve a fairer and more harmonised tax system, both in the interest of the CaixaBank Group and society as a whole.
9. Regularly providing information to the senior management and the Board of Directors about the effective application of the Tax Risk Control and Management Policy regarding the most relevant tax-related aspects for the institution, at least once a year, before the annual accounts are drawn up and the corporate tax return is filed, either directly or through the Auditing and Control Committee.

The tax department or consultancy of the relevant institution in the CaixaBank Group is responsible for assessing the tax risk and must adopt a suitable decision and submit it to the higher decision-making bodies whenever this is required due to the qualitative and/or quantitative relevance thereof. For such purpose, the responsible tax department may draw up a tax risk control matrix that considers the probability of the risk occurring and the quantitative impact thereof in order for it to be used as guidance for assessing the decisions.

## 7. REVIEWING THE POLICY

CaixaBank's Tax Department is the author of and is responsible for this Policy and therefore also for updating and reviewing it. The contents of this Policy must be reviewed at least once a year or sooner if this is warranted due to exceptional circumstances. The

reviews must be carried out by the Tax Department, which must submit them to CaixaBank's Executive Committee so that it reviews and submits them for the approval of the Board of Directors.