

energy creates energy



# Tax policy

## Main concerns

Galp's tax policy aims at complying with all the tax requirements established by each jurisdiction where the group is present and where it has financial and commercial activities.

The group is headquartered in Portugal, a European member State, and is listed in the NYSE Euronext Lisbon stock exchange. Therefore it is legally obliged to comply with the European legislation as well as local legislation requirements in all the jurisdictions where it operates. In addition, in what concerns international financial harmonization, Galp consolidated annual accounts is compliant with the "Accounting Normalization System" and "International Accounting Standard" guidelines.

At domestic level, Galp is bound to comply with the provisions imposed by the Constitution of the Portuguese Republic, the General Tax Law, the Administrative and Judicial Tax Procedure Code and the General Taxation Infringements Law, as well as the applicable legislation foreseen in the following tax codes: Corporate Income Tax Code, Individual Income Tax Code, Legal Regime of Withholding Tax of the Personal Income Tax, Tax Benefits Code, the Stamp Duty Code, Value Added Tax Code, Municipal Property Tax Code, Municipal Property Transfer Tax Code, Code of Special Consumption Taxes, and other sundry tax legislation.

Additionally, it is important to highlight that domestic entities consider the jurisprudence issued by the Courts, and namely by Portuguese Constitutional Court, Supreme Court of Justice, Administrative Central Court and Administrative and Fiscal Courts.

Portugal, the country where Galp is headquartered is an OECD member State. Therefore, Galp complies with the principles established in all the OECD guidelines, including but not restricted to the OECD Model Tax Convention on Income and on Capital, in which the vast majority of the almost 60 double taxation treaties entered upon by Portugal are based, and the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

Galp tax department is located in Lisbon, at Galp's headquarters. It works in close cooperation with colleagues from local offices (i.e., Brazil and Spain), allowing per a greater proximity and a better operationalization on what concerns the mandatory requirements and specific obligations regarding each tax jurisdiction.

Galp actively complies with the tax requirement of each jurisdiction. Additionally, the tax team promotes a close follow up of Galp operations with a tax impact, providing the entities involved with proactive and appropriate tax advice, based on technical expertise regarding tax issues. Another important contribution of Galp tax department is the close connection and interactivity with the Tax Authorities of each jurisdiction, which allows Galp to monitor and clarify tax issues in a proactive manner, namely ensuring that the conduct of the company meets the applicable tax requirements and formalities wherever Galp operates.

Galp has defined policies and processes to monitor, measure and manage its exposure to tax risk. The purpose of the Company's tax risk management policy is to enhance shareholder value by reflecting best practice, experience and views while monitoring the potential of risks on the Company's goals.

Furthermore, it is of utmost importance to have an effective and efficient tax risk management in order to prevent unnecessary disputes, but also to avoid any negative impact on shareholder value.

With the aim to minimize its risk, Galp has decided to make the activity of risk management autonomous at the end of 2012. The risk and insurance department's corporate risk management area aims to promote and implement the Group risk management policies defined by the Executive Committee. This model enables the Group's business units and companies to use a centralized risk management system for corporate risk management.

The internal control system adopted by Galp is involved in the planning, implementation and documentation for all:

- ❖ Orderly and efficient conduct of its business;

- ❖ Compliance with laws and regulations;
- ❖ Reliability of financial reporting;
- ❖ Business or share acquisitions and disposals;
- ❖ Changes in corporate structure;
- ❖ Cross-border financing arrangements;
- ❖ Significant business transactions;
- ❖ Cross-border trading arrangements;
- ❖ Significant new processes affecting tax compliance.

All tax decisions consider potential reputational risk and financial risk. Therefore, in doing so, Galp is minimizing its risk exposure.

In addition, the group complies with all tax regulations and disclosure requirements in all countries in which it operates. This includes:

- ❖ Submission of all returns by their due dates in line with local tax law;
- ❖ Support of all material positions taken in the tax returns in terms of documentation and legal interpretation;
- ❖ Defense of tax positions taken in the group's tax returns;
- ❖ Proactively pursuance of any tax timing benefits;
- ❖ Monitoring relevant tax law and practice changes, this includes the undertaking of regular training in order to assess any consequences for the group with the minimum aim of mitigating any adverse impact;
- ❖ Management of compliance affairs.

Finally, with the purpose to foster good relationships with tax authorities, governments and related third parties and to undertake all such dealings in a professional, courteous and timely manner the tax team:

- ❖ Manages the relationship with the tax authorities with the aim of minimizing the risk of challenge, dispute or damage to Galp's credibility arising when tax matters are inadvertently incorrect;
- ❖ Participates in any tax authority formal consultation process where it is expected that the matter under consultation will have a material impact on Galp's liability;
- ❖ Participates in discussions/lobbying and the development of proposals with national and international organisations;
- ❖ Shares information/request input as to whether subjects for consultation and lobbying are in place or have been monitored in other countries;
- ❖ Transparency and proactiveness in all interactions with all stakeholders, not limited to the shareholders but also employees, partners and creditors, clients and suppliers, auditors and tax authorities.

Galp's reports, financial statements, legal certification of the accounts and other accounting documents are prepared in compliance with the applicable accounting requirements and give a true and fair view of the assets, liabilities, financial position and profit or loss of Galp and the companies included in the consolidation perimeter.