
Fiscal Strategy

ARMANDO ALVAREZ, S.A.





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1. INTRODUCTION ♦

1.1 CONTEXT

The Armando Alvarez, S.A. Board of Directors (hereinafter referred to as either Armando Alvarez or Armando Alvarez Group) is the maximum decision-making body, as legally and by-law mandated it is entrusted with the administration and representation of the Armando Alvarez Group.

The Board of Directors is configured as a supervisory and monitoring instrument, delegating management of the ordinary Company business to the executive bodies and the management team.

For a proper and normal performance of its general supervisory duties, the Board undertakes to directly carry out the responsibilities established by law, which include:

- Approval of the Armando Alvarez general strategies,
- Establishment of the general guidelines for the organisational distribution of the management and risk control duties, as well as determination of their main strategic lines,
- Decision on the business or financial transactions that are especially relevant to Armando Alvarez.

The Armando Alvarez Group's fiscal strategy is hereby approved in the performance of said duties.

1.2 INTENDED RECIPIENTS

The fiscal strategy is aimed for the Armando Alvarez Group, and is especially relevant for the Board of Directors, the Management Committee, the Financial Management team, the General Secretariat and the Fiscal Department.

1.3 SCOPE

The Armando Alvarez fiscal strategy will apply to all Group-controlled companies, regardless of their geographical location.

Armando Alvarez will also encourage that any investments that are jointly controlled with third parties (i.e. partners outside of the Group), or where the Group holds a significant share, follow fiscal principles that are in alignment with this fiscal strategy.

The fiscal strategy will apply to all direct taxes on corporate profits, indirect taxes and taxes on work income, real estate and personal property, as well as to any other applicable tax duties and to any taxes that apply to the Armando Alvarez Group, as well as to all related information obligations .

1.4 GENERAL VISION AND VALUES OF THE FISCAL STRATEGY

Armando Alvarez, S.A. was incorporated on June 14th, 1954, and it is currently the parent company of the Armando Alvarez Group. Its corporate object is to act as a Holding Company, and to participate in the management of the investee companies, to provide them with supporting services and to perform other complementary activities.

Founded in 1964, the Armando Alvarez Group is comprised of various companies that have joined it over the years. These operate as independent legal entities that, as part of the group, act under the same work philosophy and observance of the rules and commonly-accepted principles.

In alignment with this, the fiscal strategy values are summarised in managing fiscal affairs in a proactive, responsible and transparent manner in order to encourage a relationship based on collaboration and trust with the Tax Authorities, thus preventing and reducing fiscal and reputational risks.

2. FISCAL STRATEGY

GENERAL PRINCIPLES AND ACTION PROTOCOLS ON FISCAL MATTERS

These are the general principles of the fiscal strategy governing Armando Alvarez and its subsidiary companies:

- The Armando Alvarez Group's fiscal policy is based on the company's faithful compliance with tax regulations and, therefore, compliance by all of the people who intervene not only in fiscal management, but also in transactions entailing a fiscal impact.

This is an inextricable part of the principle of legality established in the Code of Conduct, according to which *"Armando Alvarez' first commitment is to always comply with applicable legislation in all the countries where it operates"*.

- The Group will meet the tax obligations that are legally required in each jurisdiction, in accordance with current regulations, and in all cases they will make a reasonable interpretation of the applicable regulations that matches their spirit and purpose.
- The Group will pay taxes in accordance with the true legal status and economic value of the facts, actions or business performed, avoiding any transactions or businesses that are notoriously contrived or improper or that lack economic motives other than tax savings.
- The Group will avoid any fiscal planning that may be deemed aggressive, notwithstanding the use of alternatives or options that enable better fiscal conditions, following the guidelines on the matter issued by international agencies or the tax authorities of the various jurisdictions where the Group is present.

- The Group will not incorporate or acquire companies located in countries that are considered tax havens, unless they are necessary for the development of the corporate activity in that territory. Likewise and beyond tax havens, no contrived company structures will be created that are not related to the Group's corporate activity with the sole purpose to reduce tax payments. Operations between controlled organisations with the sole purpose to erode tax bases and artificial profit shifting to low tax-paying territories will not be performed either.
- The Group will guarantee transparency, avoiding the use of opaque structures with tax purposes, understanding as such those where holding companies are inserted through tax havens or territories that do not cooperate with the tax authorities, and that are designed with the goal to hide from the tax authorities the end company responsible for the activities or the end holder of the rights or assets involved.
- The Group will observe the rules on transfer prices, especially those operations that are not eliminated as a result of the fiscal consolidation process or that are not part of the company's regular business. The application of these rules aims for correct taxation in each jurisdiction in accordance with the activities carried out, risks taken and profits generated.

The principles contained in this document follow the trends and recommendations on the principles of the OECD's BEPS Project (Action Plan on Base Erosion and Profit Shifting).

- The Group will collaborate with the relevant tax authorities and will provide them with the information that is required to comply with its tax obligations in a truthful and comprehensive manner.
- The Group will collaborate with the relevant tax authorities in their verification actions, both their own and third parties'.
- The Group will work to establish cooperation with tax authorities based on the principles of mutual transparency and trust in order to avoid conflicts and minimise Court disputes.

- The Group will inform its Board of Directors of the tax consequences of the company operations that must be submitted for the Board's approval when they may be a relevant factor for making decisions. In any case, operations that due to their nature may present a relevant controversy on tax issues must be submitted to the Board of Directors for their approval.
- The Group will manage the tax risks by establishing the proper mechanisms to prevent, reduce, cover and monitor such risks.
- The fiscal strategy is publicised within the Group through its corporate fiscal strategy, where the Group defines tax risk, the principles governing its management and control, governance applicable to the tax duties and the roles and responsibilities that it comprises.
- As the parent company of an international group, Armando Alvarez establishes the common guidelines regarding taxation, which are applied in all of the organisations comprised in the Group.

The principles that govern compliance with the tax obligations of the Group organisations must align with the general principles of the fiscal strategy approved by the Board of Directors, notwithstanding that they may adapt to any special tax provisions in the territories where the Group operates. In any case, the subsidiary organisations must comply with the taxation laws and regulations of the countries where they operate, cooperate with the authorities and provide them with the required information.

- The Group will communicate annually and in a transparent manner the total fiscal contribution, differentiating their own taxes from those of third parties to which the Group contributes.

In short, the Armando Alvarez Group fiscal strategy will adopt the good practises that allow for a proper prevention and reduction of both fiscal and reputational risks, so it generates better legal and economic security for both the organisation and its shareholders.

This strategy is approved by the Armando Alvarez, S.A. Board of Directors in compliance with article 249 bis of the Capital Companies Act (Ley de Sociedades de Capital).

3. FISCAL RISK CONTROL

The Group's risk management program includes fiscal risk management, among others, and the necessary controls to achieve the goals established in the fiscal strategy have been implemented in the fiscal procedures.

The fiscal risk management and control in the various organisations comprised in the Group will take place through the relevant procedures integrated in the Group's internal control system. These will detail the processes or activities comprised in the fiscal duties, and which in any case must align with the principles of the fiscal strategy and its implementation through the corporate fiscal policy.

The Armando Alvarez internal audit department is in charge of ensuring compliance with the principles contained in the approved strategy.

The Armando Alvarez internal audit department is also in charge of ensuring compliance with the guidelines commonly applied in the entire Group, as well as of coordinating and collaborating with the local tax consultancies of the various subsidiaries, whether in-house or external.

To this end, the internal audit department must have sufficient staff and resources as well as the pertinent procedures to ensure that the fiscal risk is properly managed and controlled within the Group.

The internal audit department's work is monitored and controlled in accordance with regulatory requirements and with the Group's own internal rules and regulations. To this purpose this department's work is regularly reviewed by both internal and external auditors.

Every year a report on the fiscal policies applied during the tax year must be submitted to the Board of Directors through the general Secretariat, and they must meet the basic principles contained in the Armando Alvarez fiscal strategy.

Notwithstanding the above, if considered a relevant factor, fiscal consequences will be informed for all operations or affairs that must be submitted to the Board of Directors for approval, as well as for those investments or operations that involve a special tax risk because they entail large sums or are of a special nature.

This fiscal strategy is to be permanent, notwithstanding its annual review and updating in accordance with changes in regulations and the fiscal environment, always taking into account its necessary alignment with the Group's general strategy.



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