



SARDINERO  
HOTELES

Santander - Madrid

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# Fiscal Strategy

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EL SARDINERO, S.A.



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# 1. INTRODUCTION ♦

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## 1.1 CONTEXT

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

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 El Sardinero 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 El Sardinero.

The El Sardinero's fiscal strategy is hereby approved in the performance of said duties.

## **1.2 INTENDED RECIPIENTS**

The fiscal strategy is aimed for the El Sardinero, 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 El Sardinero's fiscal strategy will apply to all Group-controlled companies, regardless of their geographical location.

El Sardinero will also encourage that any investments that are jointly controlled with third parties, 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 El Sardinero, as well as to all related information obligations.

## **1.4 GENERAL VISION AND VALUES OF THE FISCAL STRATEGY**

El Sardinero, S.A. was founded on April 1<sup>st</sup> 1901. Its main corporate purpose is the direct exploitation, by lease or in any other way of the concession of the "Balenario de la primera playa del Sardinero", hotels, real estate and other social assets, as well as may acquire land, construct buildings and exploit concessions obtained.

Its main activity is the operation of three four-star hotels en Santander (Hotel Sardinero,, Hotel Hoyuela and Hotel Bahía), and another in Madrid (Hotel Sardinero Madrid), in addition to restaurant and cafeteria services.

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.

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## 2. FISCAL STRATEGY

# GENERAL PRINCIPLES AND ACTION PROTOCOLS ON FISCAL MATTERS

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These are the general principles of the fiscal strategy governing El Sardinero and its subsidiary companies:

- The El Sardinero'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 "Sardinero's first commitment is to always comply with applicable legislation in all the countries where it operates".

- El Sardinero 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.
- El Sardinero 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.
- El Sardinero 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 is present.

- El Sardinero 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.
- El Sardinero 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.
- El Sardinero 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).

- El Sardinero 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.
- El Sardinero will collaborate with the relevant tax authorities in their verification actions, both their own and third parties'.
- El Sardinero 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.

- El Sardinero 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.
- El Sardinero will manage the tax risks by establishing the proper mechanisms to prevent, reduce, cover and monitor such risks.
- The tax strategy is disseminated within the company through the communication and training mechanisms established by the organization.
- El Sardinero will have communication channels for incidents or non-compliance with the tax strategy or any aspect of the Tax Compliance System and will undertake that in no case will the informant suffer any retaliation for communications made in good faith.
- In the event of non-compliance with the guidelines associated with the tax strategy or any other non-compliance with the Tax Compliance System, the corresponding sanctioning system will be applied according to internal regulations.
- The principles that govern compliance with the tax obligations of the El Sardinero 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.

In short, the El Sardinero 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 Sardinero, S.A. Board of Directors in compliance with article 249 bis of the Capital Companies Act (Ley de Sociedades de Capital) 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).

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## 3. FISCAL RISK CONTROL

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The El Sardinero'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 El Sardinero will take place through the relevant procedures integrated in the El Sardinero'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 Tax Compliance Officer of El Sardinero, is in charge of ensuring compliance with the principles contained in the approved strategy.

The Tax Compliance Officer is also in charge of ensuring compliance with the guidelines commonly applied, 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 Tax Compliance Officer must have sufficient staff and resources as well as the pertinent procedures to ensure that the fiscal risk is properly managed and controlled.

The internal audit department's work is monitored and controlled in accordance with regulatory requirements and with the El Sardinero'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 El Sardnero 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 El Sardinero's general strategy.

## EL SARDINERO, S.A.

[www.sardinerohoteles.com](http://www.sardinerohoteles.com)

+34 902 12 33 03

Pza. Italia 1,  
39005 Santander-  
Cantabria (España)

### Santander

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