

Innospec Approach to Taxation

Overview of the Innospec Group

Innospec is a global specialty chemicals business which manufactures and supplies a wide range of specialty chemicals to markets in the Americas, Europe, the Middle East, Africa and Asia-Pacific. The Group has approximately 2,100 employees across 25 countries.

Innospec operates in three key business segments: Fuel Specialities, Oilfield Services and Performance Chemicals. The Fuel Specialities business specialises in manufacturing and supplying fuel additives that improve fuel efficiency, boost engine performance and reduce harmful emissions. Oilfield Services provides specialty chemicals to all elements of the oil & gas exploration and production industry. The Performance Chemicals business creates innovative technology-based solutions for customers in the Personal Care, Home Care, Agrochemical, Mining, and Industrial markets.

Innospec Inc. is the ultimate parent company of the Innospec Group of companies (the “Group”). The corporate headquarters of Innospec Inc. is in Englewood, Colorado, US, and Innospec Inc. is listed on NASDAQ (ticker: IOSP).

Scope

As required by UK law, as set out in Schedule 19 to Finance Act 2016 (“Schedule 19”) this document outlines Innospec’s approach and strategy with respect to UK taxation.

This applies to all of the companies within the Innospec Group which are incorporated in the UK, in accordance with paragraph 19 of Schedule 19. A list of the entities to which it applies is shown in Appendix 1.

Whilst this strategy relates to Group’s UK activities only, we apply the same principles in relation to non-UK taxes. In particular, seeking to pay the right amount of tax at the right time to meet our statutory obligations and working with tax authorities in a cooperative manner.

References to “UK tax” and “UK taxation” throughout this document, unless specified otherwise, are to the taxes and duties set out in paragraph 15(1) of Schedule 19, which include but are not limited to income tax, corporation tax, capital gains tax, VAT, PAYE, NIC, and customs duties. References to “tax”, “taxes” or “taxation” are to UK taxation and to all corresponding worldwide taxes and duties in respect of which Innospec has legal responsibilities.

This policy document is made publicly available through its publication on our external website, www.innospec.com. The provisions of this document apply from the date of publication until it is superseded. In accordance with Schedule 19, it will be updated each financial year and within 15 months from the publication of the latest version.

In line with our governance in relation to our tax affairs, this has been approved by our Chief Financial Officer (“CFO”) and our Audit Committee who have respectively, executive and oversight responsibility for our tax matters.

Aim

Innospec operates in a significant number of jurisdictions around the world and incurs substantial taxes in conducting its activities. We pay a range of taxes including corporation tax, employment taxes, capital gains tax, property tax and indirect taxes including VAT/sales taxes, customs duties and excise taxes.

Innospec is committed to sound principles of corporate governance, seeking to enhance the long-term value of the company for the benefit of its shareholders and other stakeholders. The company believes that the long-term interests of its shareholders and other stakeholders are advanced by responsibly addressing the concerns of its stakeholders and interested parties, and we acknowledge that our stakeholders include the tax authorities in the jurisdictions in which the Group operates.

As such, we are committed to responsible and compliant taxpayer behaviour in every country in which we operate, and having transparent and open relationships with all relevant tax authorities, whilst efficiently managing the tax cost of doing business.

In line with the requirements of UK law, and to underpin our approach to UK taxation, this document explains our position in respect of the following areas:

- Our approach to risk management and governance arrangements in relation to UK taxation;
- Our attitude to tax planning in relation to UK taxation;
- The level of risk we are willing to accept in relation to UK taxation; and
- Our approach towards dealings with HM Revenue & Customs (“HMRC”).

Risk management and governance in relation to UK taxation

Our tax processes and systems are subject to the same level of robust internal controls and external audit as the rest of the Innospec business. As Innospec Inc. is a US company listed on the NASDAQ, it is subject to the Sarbanes Oxley Act of 2002 (“SOX”), and the risk management of the UK business, including UK taxation, is aligned closely with and integrated into the overall SOX framework.

Ultimate responsibility for our tax strategy and compliance rests with the Board of Innospec Inc. The Board delegates executive management to the Group’s executive directors and senior management, with financial aspects such as taxation delegated to the CFO. The CFO retains executive responsibility for tax matters, with the ongoing management of our tax affairs delegated to the Group Tax team, which undertakes regular training to ensure that it has the required expertise to responsibly manage our tax affairs, and the team is staffed with appropriately qualified individuals. Furthermore, the Audit Committee’s oversight monitors the integrity of our financial reporting systems and internal controls framework on behalf of the Board, and this includes those elements relating to taxation.

Performance is monitored on a quarterly basis through external reviews from the Group’s statutory auditor and quarterly reports are made to the CFO and Audit Committee.

We have identified our main tax risks and the steps taken to mitigate them, as follows:

- **One-off, non-routine transactions, such as acquisitions:** Such transactions are carefully considered to ensure that they are treated correctly for tax purposes, and the positions taken and conclusions drawn are documented. Typically, where the transaction is significant, Innospec will obtain third-party advice from a reputable advisor to ensure that the position which is applied is appropriate.

- **Operational risks:** Such risks arise where business transactions are not carried out in accordance with the Group's tax policy and/or local tax laws. We consider that this risk is most likely to crystallise when a new transaction takes place (e.g., supplying a product into a new market), or when an existing transaction takes place on terms which have not been agreed by Group Tax. There is regular and ongoing communication between the Group Tax team and the business to identify such transactions, and Group Tax performs regular reviews to confirm that transactions take place on agreed terms.
- **Legislative risk:** UK and international tax regulations are subject to change, and there is a risk that the Group's tax positions do not take the changes into consideration. The Group Tax team undertakes regular training to keep its knowledge of tax legislation up-to-date. We also work with external advisors who provide appropriate support in cases where new tax issues arise, where there is uncertainty about the application of legislation, or if the issue involves significant complexity.

We consider that our exposure to these risks is comparable to similar businesses operating in a multinational environment.

Tax planning in relation to UK taxation

In structuring our commercial activities and when considering the viability of investments, tax is one of the many factors that are considered. We expect and aim to pay tax on our income in the countries where we perform our activities, and steps are taken to reduce the risk of double taxation.

Any structuring that is undertaken is in accordance with commercial and economic realities. We do not use contrived, abnormal or artificial structures which are intended for tax avoidance, we do not make use of tax planning which has no or limited commercial substance, and no arrangements are entered into which have a main purpose of reducing or eliminating any person's or entity's liability to taxation. We have not entered into any tax avoidance schemes which would require disclosure under the Disclosure of Tax Avoidance Schemes rules.

The Innospec group has no companies which are tax resident in a territory which is classed as a tax haven, nor do we have any branches / permanent establishments in any tax havens. Any business which Innospec establishes in a low tax jurisdiction would be required to have both commercial purpose and appropriate substance to support an arm's length return.

Risk appetite in relation to UK taxation

Given the scale of our business, risks will inevitably arise from time to time in relation to the interpretation of complex tax law, and we actively seek to identify, evaluate, and monitor these risks. However, Innospec takes a prudent approach to tax risk management.

Where there is significant uncertainty or complexity in relation to a risk, for example, where there may be two or more interpretations of tax law, we will obtain external advice regarding the most appropriate application of the legislation to support the decision-making process. Where appropriate, advance clearance on tax treatment is sought from HMRC to gain certainty over the UK tax treatment of a transaction, or the transaction and the proposed UK tax treatment may be otherwise discussed with our Customer Compliance Manager at HMRC.

As noted above, as part of our wider compliance framework, we are committed to responsible and compliant taxpayer behaviours in all jurisdictions, including the UK. Our systems and processes are established to identify and mitigate material tax risks and we look to minimise uncertainty in our tax liability positions wherever possible.

Approach to dealing with HMRC

We seek to develop and maintain strong, open, positive, and collaborative relationships with tax authorities through regular dialogue. We engage with tax authorities with honesty, integrity and respect, and wherever possible we do so on a real time basis to minimise uncertainty and risk.

We seek to disclose all relevant information to HMRC to enable a thorough review of our tax position. This includes informing HMRC of significant transactions and business changes, and we will disclose and discuss areas of significant uncertainty in how relevant legislation applies.

Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.

Tax as a part of Innospec's corporate governance framework

In addition to the above, which explains our position in respect of the four key areas as outlined in paragraph 23(1) of Schedule 19, we also wish to address our approach in relation to Innospec's corporate governance framework.

Innospec places the strongest emphasis on high standards of corporate governance. We have established a clear and effective governance structure to ensure that we uphold a high standard of corporate and business integrity across all our activities. With this in mind, the Board of Directors has adopted our [Code of Conduct](#), compliance with which is required throughout the business. We also expect our suppliers to maintain a high standard of business conduct, and this is reflected in our [Supplier Code of Conduct](#) which applies to all of our suppliers, service providers, and other contractors.

Our business strategy is built across the four pillars of responsible business: economic, social, environment and governance. Our focus areas target the issues that matter most to our internal and external stakeholders. Tax is particularly relevant in a number of these focus areas, in particular:

- Economic ("Responsible Growth") and Social ("Caring for People") – Generating economic benefits for our employees, shareholders, local communities and wider society.

We have a responsibility to our shareholders to manage our tax cost, but equally we have a responsibility to society to pay all taxes that are due under applicable laws.

- Governance ("Leading by Example") – Understanding that honest, ethical and transparent conduct is vital to our success and reputation.

Compliance with local tax regulations is an important aspect of our ongoing compliance responsibility.

UK companies in the Innospec Group

- Innospec International Limited
- Innospec Developments Limited
- Innospec Holdings Limited
- Innospec Finance Limited
- OBOAdler Company Limited (in voluntary strike off)
- Innospec Limited
- Innospec (Plant) Limited
- Societa Italiana Additivi Carburanti Srl
- Innospec Performance Chemicals Europe Limited
- Innospec Fuel Specialties Limited