

Innospec Approach to Taxation

Scope

As required by UK law, as set out in Schedule 19 to Finance Act 2016 (“Schedule 19”) this document sets out Innospec’s approach and strategy with respect to UK taxation. This applies to Innospec International Limited and to all UK entities in the group headed by Innospec International Limited in accordance with paragraph 19 of Schedule 19. A list of the entities to which it applies is shown in Appendix 1.

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 includes income tax, corporation tax, PAYE, NIC, VAT, Insurance Premium Tax, and Stamp Duty Land Tax. 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. This document applies from the date of publication until it is superseded.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 underlying operational governance in relation to our tax affairs, this has been approved by our Chief Financial Officer (‘CFO’) and our Audit Committee who have executive and oversight responsibility for our tax matters.

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 2,000 employees across 23 countries.

Innospec operates in three key business segments: Fuel Specialities, Oilfield Services and Performance Chemicals. The Fuel Specialties 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. The Group’s legacy Octane Additives business, which produced octane improvers that enhanced gasoline, ceased to operate in 2020.

Innospec International Limited is indirectly wholly owned by Innospec Inc., which is the ultimate parent company of the Innospec Group (the “Group”). The corporate headquarters of Innospec Inc. is in Englewood, Colorado, US, and Innospec Inc. is listed on NASDAQ (ticker: IOSP).

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. The company believes that the long-term interests of its shareholders 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 all of the countries 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 U.S. 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 Senior Management Team, 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 positions taken and conclusions drawn are documented. Typically, where the transaction is significant, Innospec will obtain third party advice from a reputable firm 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), and when an existing transaction takes place on terms which are not agreed by Group Tax. There is regular and ongoing communication between Group Tax and the business to identify such transactions, and Group Tax performs regular reviews to ensure that transactions take place on agreed terms.
- **Legislative risk:** UK and international tax regulations are subject to regular 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 ensure that its knowledge of tax legislation remains up to date. We also work with external advisors to ensure that we receive appropriate support in cases where new tax issues arise, where there is uncertainty about the application of particular legislation, or if the issue involves significant complexity.

We consider that our exposure to these risks is comparable to equivalent 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 or abnormal tax 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 a persons' 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 typically classed as a tax haven, nor do we have any branches / permanent establishments in any tax havens. Any business which Innospec has established in a low tax jurisdiction has both commercial purpose and appropriate substance, which supports the arm's length profits which it earns.

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.

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 generally obtain external advice regarding the most appropriate application of the legislation. Where appropriate, advance clearance on tax treatment is sought from HMRC to gain certainty over the tax treatment of a transaction.

As noted above, as part of our wider compliance framework, we are committed to being a responsible and compliant taxpayer in all of the jurisdictions in which we operate. 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 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.

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 Social Responsibility Policies

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 Social Responsibility Policies.

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. 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 and Social – 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 to society as a whole to pay taxes due under applicable laws.
- Governance – 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.

Version Control

This version of the Tax Strategy was published in November 2020 and reflects the position for the financial year to 31 December 2020. We do not currently anticipate any material changes during 2020 or 2021, and the document will be reviewed in approximately 12 months' time and amended if necessary.

UK companies in the Innospec Group

- Innospec International Limited
- Innospec Holdings Limited
- Innospec Trading Limited
- Innospec Limited
- Innospec (Plant) Limited
- Innospec Developments Limited
- Innospec Finance Limited
- Innospec Active Chemicals Limited
- Innospec Performance Chemicals Europe Limited
- Innospec Fuel Specialties Limited
- Innospec Environmental Limited
- OBOAdler Company Limited
- Societa Italiana Additivi Carburanti Srl