

## Innospec Approach to Taxation

### Scope

Innospec is a global specialty chemicals business with approximately 1800 employees in 23 countries. Innospec manufactures and supplies a wide range of specialty chemicals to markets in the Americas, Europe, the Middle East, Africa and Asia-Pacific. The Fuel Specialties business specializes 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, Agrochemicals, Mining and Industrial markets. Octane Additives produces octane improvers to enhance gasoline.

To fulfil the new requirements under UK law as set out in Part 2 of Schedule 19 Finance Act 2016, this document sets out the Innospec strategy with respect to UK taxation. This strategy 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 to the Finance Act 2016. Innospec International Limited, a limited company registered in England and Wales, is indirectly wholly owned by Innospec Inc. The ultimate parent company of the Innospec Group is Innospec Inc., headquartered in Newark, Delaware, US, and is listed on NASDAQ (ticker: IOSP).

A list of the entities to which this policy applies is set out below.

This policy document is made publicly available through its publication on our external website, [www.innospecinc.com](http://www.innospecinc.com). This document applies from the date of publication until it is superseded. In line with our underlying operational governance in relation to our tax affairs, this policy has been approved by our Chief Financial Officer ('CFO') and our Audit Committee who respectively have executive and oversight responsibility for our tax matters.

### Aim

Innospec operates in a significant number of jurisdictions around the world, and we incur substantial taxes in conducting our activities. We pay a range of taxes including corporation tax, employment taxes, capital gains tax, property tax and indirect taxes including Value Added Tax (VAT), customs duties and excise taxes. We have a responsibility to our shareholders to manage efficiently the tax cost of doing business within the ambit of all applicable laws.

In line with the new requirements under UK law, and to underpin our approach to 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 risk planning in relation to UK taxation
- The level of risk we are willing to accept in relation to UK taxation
- Our approach towards dealings with HM Revenue & Customs ('HMRC')

## **Risk Management and Governance in relation to UK taxation**

We are committed to being a responsible and compliant taxpayer in the countries where we operate, and to having transparent and open relationships with all relevant tax authorities. The management of our tax affairs is conducted in a way that takes into account our wider corporate reputation in line with our high standards of governance.

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, and additional assurance is provided through internal audit reviews of tax management and processes within an established review framework.

Ultimate responsibility for our tax strategy and compliance rests with the Board of Innospec Inc., and executive management is delegated by the Board to the Executive Committee.

The Audit Committee's requirement to monitor the integrity of our financial reporting systems, internal controls and risk management framework includes those elements relating to taxation. The CFO has executive responsibility for tax matters, and the ongoing management of our tax affairs is delegated to the Head of Tax. Our Group Tax team undertake regular training to ensure that they are competent to deal with our tax affairs, and the team is staffed with appropriately qualified individuals.

Performance is monitored on a quarterly basis through external audit, and through quarterly reporting to the CFO and Audit Committee.

## **Tax planning in relation to UK taxation**

In structuring our commercial activities and when considering the viability of investments, tax is one of the factors we examine. We expect to pay tax on our income in the countries where activities take place and we look to take steps to reduce the risk of double taxation. Any structuring that is undertaken will have commercial and economic substance. We do not use contrived or abnormal tax structures that are intended for tax avoidance and have no commercial substance.

## **Risk appetite in relation to UK taxation**

Given the scale and scope of our business, risks will inevitably arise from time to time in relation to the interpretation of complex tax law. We actively seek to identify, evaluate and monitor these risks. Where there is significant uncertainty or complexity in relation to a risk, external advice may be sought. Where possible, advance clearance on tax treatment is sought from HMRC to gain certainty over the tax treatment of transactions that we undertake.

As noted above, as part of our wider compliance framework, we are committed to being a responsible and compliant taxpayer in 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 timely basis to minimise uncertainty and therefore tax 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.

**List of entities covered by this document:**

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