

Innospec Approach to Taxation

Scope

Innospec is a global specialty chemicals business with approximately 1900 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, Agrochemical, Mining and Industrial markets. Octane Additives produces octane improvers to enhance gasoline.

The ultimate parent company of the Group is Innospec Inc., head-quartered in Newark, Delaware, US, and is listed on NASDAQ (ticker: IOSP).

Innospec International Limited, a limited company registered in England and Wales, is indirectly wholly owned by Innospec Inc.

To fulfil the requirements under UK law as set out in paragraph 16(2) 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. A list of the entities to which it applies is set out below.

This policy document is made publicly available through its publication on our external website, 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 This document applies from the date of publication until it is superseded.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 has been approved by our Chief Financial Officer ('CFO') and our Audit Committee who 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 tax cost 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 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 tax 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 and internal controls 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 constant training to ensure that they are competent to deal with our tax affairs, and is staffed with appropriately qualified individuals.

Performance is monitored on a quarterly basis through external audit and quarterly reporting 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, are carefully considered to ensure that they are treated correctly for tax purposes, and positions taken and conclusions drawn are documented.
- Operational risks arise where the business transactions undertaken are not carried on in line with either the Group's tax policies or local tax laws. An example of this would involve transfer pricing. We maintain ongoing communications between Group Tax and the business to identify



potential new transactions, and regular reviews of significant transactions are undertaken to ensure that they take place on agreed terms.

- Legislative risk – UK and international regulations are subject to change. The Group Tax Team undertakes regular training to ensure that our knowledge of applicable legislation remains current. We also work with external advisors to ensure that we receive appropriate support in cases where the tax issue arising is new, 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 in line with 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 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 have companies in countries typically classed as being tax havens, and any businesses established in low tax jurisdictions have appropriate substance and commercial activity in those countries which justifies earning profits there.

We do not use artificial, contrived or abnormal tax structures that are intended for tax avoidance and have no commercial substance. We have not entered into any tax avoidance schemes which would require disclosure under the Disclosure of Tax Avoidance Schemes rules.

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. 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 previously, 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 real-time 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.

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 to the Finance Act 2016, 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 December 2018 and reflects the position for the financial year to 31 December 2018. We do not currently anticipate any material changes during 2019, and the document will be reviewed in approximately 12 months' time and amended if necessary.



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