

Innospec Approach to Taxation

Scope

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 four key business segments: Fuel Specialties, Oilfield Services, Performance Chemicals and Octane Additives. 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. Octane Additives produces octane improvers to enhance gasoline.

To fulfil the requirements under UK law as set out in paragraph 16(2) Schedule 19 Finance Act 2016, 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 to the Finance Act 2016. A list of the entities to which it applies is set out below.

Innospec International Limited is indirectly wholly owned by Innospec Inc., which is the ultimate parent company of the Innospec Group (the "Group"). Innospec Inc. is headquartered in Newark, Delaware, US, and is listed on NASDAQ (ticker: IOSP).

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 This document applies from the date of publication until it is superseded and will be updated at least every 12 months. 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 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 Value Added Tax (VAT), 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 being a responsible and compliant taxpayer in all of the countries in which we operate, and to 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, and additional assurance is provided through internal audit reviews of tax management and processes within an established review framework. 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., 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. The Head of Tax and the Group Tax team 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.

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 out in accordance with the Group's tax policy and/or local tax laws. Regular and ongoing communications take place 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 its 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 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 UK taxation. We have not entered into any tax avoidance schemes which would require disclosure under the Disclosure of Tax Avoidance Schemes rules.

We do not have companies in countries typically classed as being tax havens, and any business established in low tax jurisdictions has both commercial purpose and appropriate substance, which supports the arm's length profits which are earned there.

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, for example, where there may be two or more interpretations of tax law, external advice may be sought. Where appropriate, 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 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 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 September 2019 and reflects the position for the financial year to 31 December 2019. We do not currently anticipate any material changes during 2019 or 2020, 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