

Global Tax Strategy

Dec 15. 2017

SECTION 1: BACKGROUND

1.1. Ownership, Approval and Application

This document sets out the strategic tax objectives of Schenectady International Group, Inc and its subsidiaries (SI Group) and in particular that of SI Group-UK, Ltd.

The SI GROUP tax strategy is set by the SI GROUP Chief Financial Officer in consultation with the global and regional Directors of Finance, Controllers and Tax. It has been reviewed and approved by the Board of Directors.

This strategy applies from the date of publication until it is superseded. References to 'tax' include the UK taxes and duties set out in paragraph 15(1) of the Part 2 of Schedule 19 to the Finance Act 2016, which include 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 similar duties in respect of which the SI Group has legal responsibilities

1.2. Audience

Within SI GROUP, the tax strategy is primarily of relevance to the Board of Directors, Audit Committee, Executive Leadership Team, and members of the group finance department. It is also relevant to all finance, legal, HR, and operational personnel and any other functions at SI GROUP whose decisions have tax consequences.

The strategy is publicly available on SI GROUP's website in order to allow external stakeholders to understand the Group's approach to tax. The strategy is compliant with the UK tax strategy publication requirement set out in Part 2 of Schedule 19 FA 2016 and applies to all SI Group companies and in particular to SI Group-UK, Ltd.

1.3. Scope

SI GROUP is a responsible taxpayer. This is recognized by the tax strategy, which establishes a clear group-wide approach based on openness and transparency in all aspects of tax reporting and compliance, wherever the company and its subsidiaries operate.

The tax strategy shares the same approach to risk as SI GROUP's overall strategy and there will be frequent reviews to ensure that the level of tax risk is in line with SI GROUP's overall risk appetite.

The strategy applies to the compliance, payment and reporting of all taxes borne and collected by SI GROUP worldwide, the principal ones being corporate income, indirect, and employment taxes.

1.4. Implementation

Guidance and training on how to implement the tax strategy will be provided to those with responsibility for

taking decisions that could impact the successful achievement of the Group's strategic tax objectives.

1.5. Review

The global tax environment is rapidly evolving, and so the tax strategy will be subject to regular review, and developed if necessary. Amendments to the tax strategy may be proposed and the strategy will be reviewed on a periodic basis by the Board of Directors as part of its overall review. Any material amendments to the strategy will require approval by the Board of Directors.

SECTION 2: STRATEGY STATEMENT

2.1 High Level Overview

SI GROUP is a leading global developer and manufacturer of chemical intermediates, specialty resins and solutions that are critical to the quality and performance of countless industrial and consumer goods with a local presence in 10 countries, more than 2,700 employees, and customers in more than 90 countries. Our focus is on ten key market segments—rubber resins, antioxidants, fuels and lubricants, plastic additives, industrial resins, health & wellness, adhesive resins, surfactants, engineering plastics and pharma & specialty. With performance requirements increasing, SI Group products and solutions are *The Substance Inside*—making our customers' products better, safer, stronger, more efficient, and of greater value. This multi-platform / multi-territory model presents challenges for both the wider business and the tax function.

2.2 Business Strategy Statement

SI GROUP's two-pronged strategy is centered on ***Continuous Improvement*** of our core business through business excellence and ***Intelligent Expansion***, adding complementary products and technologies in support of our focus on global megatrends. Four global megatrends—Environment, Resource Scarcity, Mobility, and Changing Demographics—serve as guideposts, and help shape the solutions we develop through chemistry. Lower emissions, better fuel economy, advanced fuel & lubricant additives, more efficient building materials, and enhanced oil recovery are just a few of these solutions.

Mission:

To continue to grow and thrive as a privately-held global chemical company well into the 21st century delivering:

- Increased shareholder value.
- Growth opportunities for employees.
- Ongoing partnership and benefits to our stakeholders and the environment.

Vision:

Our goals for 2020 are based on achieving the following four strategic objectives:

- World-class performance in Business Excellence: EHS, Commercial, Operational, Supply Chain.
- Grow top line above current core market rates while strengthening our overall global position.
- Accelerate profitability at a rate in excess of revenue growth.
- Ensure operating cash flows to support debt financing for growth initiatives

2.3 Tax Strategy Statement

SI GROUP's tax strategy is aligned with the overall business strategy, Guiding Principles, Code of Conduct and approach to corporate governance and risk management wherever we operate.

It is of primary importance that we pay the correct amount of tax at the right time, under all relevant laws and regulations. In order to do this, we operate an effective tax control framework to identify key tax risks and to manage those risks through appropriately designed and operated controls.

It is important that all areas of our business feel supported from a tax point of view to enable SI GROUP to achieve its commercial objectives. This includes managing tax risk but is also about making good investment decisions with the knowledge of all future associated tax costs. We will also work with the business in order to claim any appropriate tax incentives that are available and aligned with our business model, for example R & D tax credits in the US and other jurisdictions.

The company may consider different tax outcomes when considering how to structure commercially motivated transactions, but does not undertake aggressive tax planning for the purpose of tax avoidance. We understand the importance of corporations not willfully engaging in tax schemes that go against the intention of legislative authority.

As an organization we aim to be honest, fair and truthful in all of our dealings, and these principles of integrity are reflected in our relationship with tax authorities. In addition to operating with integrity, where possible and appropriate we seek to be proactive with tax authorities to ensure the efficient resolution of issues as they arise.

SECTION 3: STRATEGIC OBJECTIVES

STRATEGIC TAX OBJECTIVES	DELIVERY OF THE STRATEGIC TAX OBJECTIVE
<p>1. Engage with tax authorities in an open and transparent way in order to minimize uncertainty.</p>	<p>This is best achieved by adopting prudent and recognized filing positions. We aim to form strong tax technical positions as well as fully understanding the business, commercial and regulatory context of transactions. Where tax law is unclear or subject to interpretation, professional advice or advance clearance from tax authorities, including HMRC, may be sought to ensure that SI GROUP's position does not lead to conflict.</p> <p>We try to develop and foster good working relationships as well as maintaining dialogue with tax authorities whilst operating in a professional, courteous and timely manner. Where tax enquiries or audits are opened, we adopt a proactive approach to the provision of information to the relevant tax authorities, including HMRC, in order to aid the resolution of any matters under review. In order to be able to supply such information, we endeavor to comply with all local document retention requirements.</p>
<p>2. Pro-actively partner with the business to provide clear, timely, relevant and business focused advice across all aspects of tax.</p>	<p>We aim to ensure that the business understands the Group Finance Department's objective of minimizing exposure to tax risk and the means of achieving this.</p> <p>To aid with this objective we establish communication protocols with local finance, HR and operations teams, and provide information, briefings and education as appropriate to ensure as far as possible that they consider tax and involve tax specialists where appropriate when undertaking transactions or making business decisions.</p> <p>The importance of commercial needs should in no circumstances override compliance with applicable tax laws. The finance function therefore provides appropriate input, which may include seeking the advice of third party as part of the approval process for business proposals to ensure a clear understanding of the tax consequences. For material transactions this will be through the formal ELT, Executive Committee or Board of Directors approval process.</p> <p>Even if decisions are taken in line with the strategy, risk can arise through poor implementation of transactions, or ineffective on-going management of tax-sensitive business processes. The Group Finance Department therefore aims to be involved in all stages of material and tax-sensitive transactions, from scoping, through implementation, to post-implementation review.</p> <p>Tax support will always be given in the context of the Group Finance Department being an enabler, but will highlight tax risk by reference to risk appetite and relevant detailed tax policies.</p>
<p>3. Take an appropriate and balanced approach when considering how to structure tax-sensitive transactions.</p>	<p>Where alternative routes exist to achieve the same commercial result the most tax efficient approach in compliance with all relevant laws should be considered. However, we will always strive to pursue our primary objectives of paying the right amount of tax at the right time from a legal perspective, and maintaining our strong reputation with stakeholders including HMRC and other tax authorities.</p> <p>Therefore, due consideration is given to SI GROUP's reputation, legislative and regulatory requirements, brand, and corporate and social responsibility when considering business developments, and associated tax consequences.</p> <p>Overall, the decision making process will be influenced by SI GROUP's commitment to its shareholders and whether any potential tax and reputational risk is within the business's risk appetite.</p>

<p>4. Manage SI GROUP's tax risk by operating effective tax governance and understanding our tax control framework with a view to continuously adjusting our approach to be compliant with our tax obligations.</p>	<p>As is the case with the wider SI GROUP business, potential risk and the business's risk appetite will form a crucial part of the decision making process. The level of tax risk that is accepted by the business will be continually evaluated and revisited.</p> <p>We monitor our tax controls frequently to ensure that they operate effectively, and that the finance and tax team are informed of relevant developments by the wider business on a timely basis.</p>
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SECTION 4: TAX MANAGEMENT AND ORGANIZATION

Group Tax Department

SI GROUP's Group Tax Department is part of the central finance function that reports to the Group Chief Financial Officer. The Director of Tax leads a small team of experienced and highly engaged tax professionals with appropriate professional qualifications and experience commensurate with the responsibilities required for their roles. We are committed to providing team members with training as required to facilitate performance of their roles and to achieve their personal development objectives. All Group Tax Department members proactively seek to operate in line with the Tax Strategy.

Finance and Other Personnel

All finance personnel employed by SI GROUP are responsible for complying with the principles and strategy set out in this document and with wider tax governance requirements.

We are committed to providing training to non-tax personnel in key areas such as HR, legal, and business affairs to ensure that they are able to inform the tax team of relevant developments, and to make decisions with tax consequences in the best interests of SI GROUP and in line with this strategy.

External Advisors

Tax advice may be sought from external advisors in respect of material transactions, and when the Group Finance Department do not have the expertise required in a particular area. The Directors of Finance or corporate controllers are responsible for the appointment of external advisors, subject to the Group's policy on audit / non-audit services, and agreeing terms of engagement approved by the Group's Legal department or Chief Financial Officer where appropriate. Such terms must adhere to SI GROUP's corporate governance and risk management policies, including the group's Code of Conduct. Where SI GROUP outsources tax work to external tax advisors (including elements of compliance), the Directors of Finance, regional controllers, Director of Tax and/or Chief Financial Officer should approve and ensure that the principles in this document are adhered to.