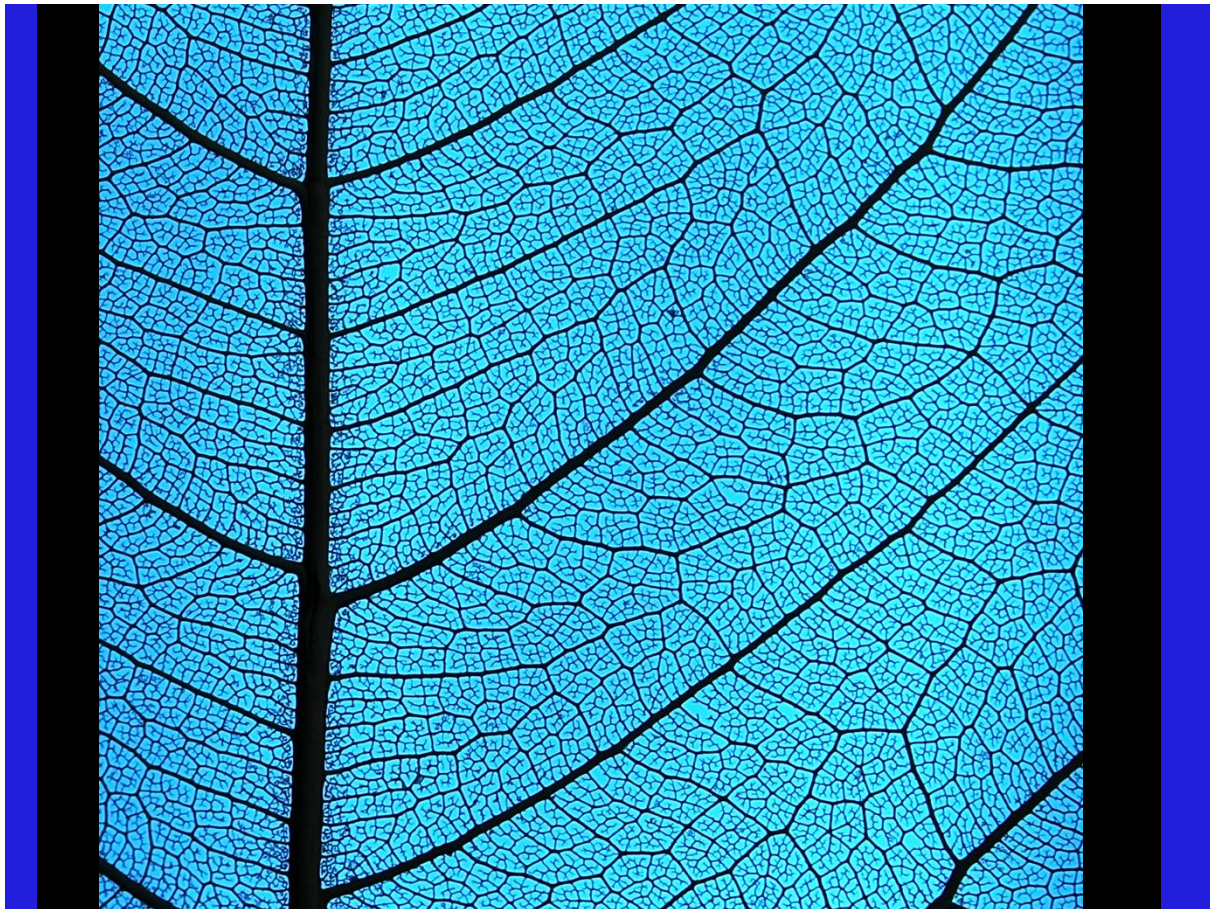


Innospec 2022 ESG Report Assurance: Recommendations Report

Revision no: 1.0

Innospec Inc.

Innospec Corporate Reporting
8 September 2023



Innospec 2022 ESG Report Assurance: Recommendations Report

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1. Introduction

Between February and June 2023, Jacobs undertook assurance of Innospec's 2022 ESG report. The assurance adhered to AccountAbility's AA1000 Assurance Standard (AA1000AS v3) and was undertaken to a Moderate level of assurance. In line with the requirements of a Type 2 assurance engagement, the report was evaluated against the AA1000 AccountAbility Principles of Inclusivity, Materiality, Responsiveness, and Impact. The Jacobs team also considered the reliability of the environmental and sustainability performance data contained in the ESG Report (Scope 1 and Scope 2 Greenhouse Gas emissions, energy and water usage, and waste generated).

The full assurance statement will be available alongside the 2022 ESG Report on Innospec's website. In addition, the summary assurance statement is included at the end of this Recommendations Report and provides detail on the scope of work, methodology and conclusions.

Recommendation Report Rationale

The AA1000 standard states that assurers should provide recommendations to support continual improvement. This report to Innospec expands on the observations and recommendations made within the Assurance Statement. It does not provide materially different findings or conclusions to those in the statement.

This report highlights existing good practice and provides suggestions for Innospec to consider as part of its 2023 ESG report and future strategies. Based on the documents reviewed and interviews undertaken for the report assurance, the recommendations are intended to align to Innospec's priorities, and therefore add value to Innospec's future ESG activities.

Innospec has responded positively to recommendations made by Jacobs in previous years, this is reflected in the reduced number of recommendations listed in the report this year. Jacobs has reflected on its previous recommendations and has reiterated some of the recommendations made in the past, where they continue to be relevant.

This report also provides an opportunity to share best practice and emerging trends in sustainability or ESG reporting, drawing on Jacobs' experience with its global client base and from its implementation of actions internally.

2. Recommendations

This section expands on the observations and recommendations made within the assurance statement.

Rec No.	Assurance Statement Excerpt	Observations and Recommendations
1	<p>In addition to the materiality assessments and annual reviews, Innospec should consider how it addresses dual materiality requirements, in order that all material impacts on the business are reviewed.</p>	<p>Dual materiality (also referred to as double materiality) refers to the concept of considering and reporting how a company could affect society and the environment ('inside-out risks') – as has been typical in sustainability and CSR reporting in the past – as well as how sustainability issues could affect a company ('outside-in risks'). Reference to and requirements for consideration of dual materiality is becoming increasingly common within newly published reporting guidance. For example, it is considered in TCFD and emerging TNFD guidance and is a requirement of the new European Sustainability Reporting Standards (ESRS). It is important to note that consideration of impacts and risks in either direction is still subject to an assessment of materiality to the business and its operations.</p> <p>The 2022 ESG Report discloses and considers several areas of impact, based on the materiality assessment, that Innospec has on people and the environment. Going forwards, it may be beneficial to reconsider the structure of the report to make sure it can explicitly reflect on how sustainability aspects present ESG risks, impacts and opportunities for Innospec now and in the longer term – and how the business has put in place mechanisms and resources to successfully manage, address and optimise performance. This will also align to your ESG reporting to investors, TCFD and future TNFD disclosures.</p>
2	<p>It is recommended that the topics that are material to Innospec at a group level are specifically shared with the sites, to improve their understanding of how they can contribute to Innospec's group level priority areas.</p>	<p>Sustainability and environmental KPIs and targets are shared with sites. Site managers demonstrated strong understanding of site level sustainability issues and priorities; however, awareness of priority material issues and how they relate to core business strategy could be improved.</p> <p>The outputs of group level materiality assessments are included in annual ESG Reports (previously Responsible Business Reports) which are distributed to sites, however there may be scope to expand other forms of communications to increase awareness. Innospec could consider training sessions or regional/global town hall meetings to present findings. As resources can vary by site, such initiatives could be delivered or facilitated by the central ESG team.</p> <p>Next year's assurance process should consider Innospec's approach to materiality assessments in more detail, including the internal communication of findings.</p>
3	<p>Innospec is reviewing its readiness for potentially wider reporting requirements in future.</p>	<p>This observation has been noted in our previous recommendations reports and continues to be important in a fast-changing landscape of policy/requirements. Effective compliance and being ahead of emerging taxonomies and disclosures will continue to be important from a business planning, resourcing, and from a business performance, investor engagement and reputational perspective.</p>

		<p>Innospec has focused on improving the quality of its data and data reporting in recent years. This focus will need to be maintained to keep pace with evolving reporting requirements and expectations. For example, Jacobs is aware the Green Finance Strategy committed to a call for evidence on reporting Scope 3 emissions under SECR. Innospec currently report emissions from business travel and may be able to respond to future changes based on existing internal reporting. Nonetheless, Innospec should review the call for evidence outcomes and prepare as required for future changes.</p> <p>We are finding that the emerging requirements of European legislation, including the EU Taxonomy, are directing the approach of many global businesses. However, there are varied requirements across different geographies which will need to be reflected in Innospec’s approaches to monitoring and reporting. The ISSB (International Sustainability Standards Board) was established to support alignment of sustainability reporting and disclosures, making this efficient for organisations by avoiding duplicative reporting, and providing clearer information for investors and other stakeholders. It recently published its new standards IFRS1 (Sustainability) and IFRS2 (Climate) and it would be beneficial for Innospec to consider how this standard – or core principles of aligning requirements across key disclosure frameworks – could be used to consolidate and streamline the reporting approach. This includes consideration of general sustainability reporting requirements and those for specific ESG disclosures.</p>
<p>4</p>	<p>Our findings indicate that Innospec’s processes and approach to measuring and reporting environmental data are robust. However, it is recommended Innospec complete a review of the documentation for calculated resource savings to identify opportunities to simplify the assurance process.</p>	<p>During the assurance process we raised queries on the resource savings associated with projects that were shared in the ESG report (relating to avoided GHG emissions and water use). Although each queried saving was confirmed through review, initially some of the savings’ figures did not clearly link to evidence of assessment or calculation and assuring some of the savings was not a straightforward process. The approach taken was also not fully consistent.</p> <p>We recommend you consider establishing a common methodology or simple calculator which can be used to estimate and report savings/avoided emissions for all projects. This should include clear expectations regarding any supporting evidence. We have previously recommended that the funding application submission should include a section requiring information on how savings/avoided impacts have been estimated, and how they will be measured or calculated once a project has been implemented, so that this approach is clear and agreed from the outset.</p> <p>Providing a clear, consistent approach to calculations for each implemented project would improve Innospec’s internal documentation of resource data and would support a streamlined assurance process. It also fits with the AA1000 principle of ‘Impact’, ensuring that the impact of sustainability initiatives is being evaluated correctly.</p>
<p>5</p>	<p>Although the current procedure is sufficient to provide accurate data reporting, it could be made more resilient by encouraging or facilitating sites to produce detailed written procedures (already</p>	<p>During discussions with sites, Jacobs found that the approach to documenting procedures varied. Based on the sites interviewed by Jacobs, the size of the site, the level of resource, as well as compliance with ISO certifications seemed to determine the extent of their written procedures (but not the robustness of the procedures themselves). Detailed written procedures should be available for each site, to improve resilience and minimise disruption from potential personnel changes.</p>

	available at some sites). This may also provide an opportunity to review their different approaches and share best practise.	<p>Written procedures could also assist with the assurance process and queries around the data collection and reporting processes.</p> <p>We recommend that you consider inviting those sites with good practice procedures to share learning and approaches with others. By using a periodic engagement between site environment or sustainability leads to compare approaches and share best practise more freely, this will provide an opportunity to expand sites' engagement with each other and support evidence of continual improvement and impact.</p>
6	Recommendation relates to general observation rather than specific content of 2022 ESG Report.	<p>We note that Innospec intends to restructure the 2023 ESG report. We recommend that the new structure and content should reflect the findings of the in-depth materiality assessment scheduled for 2024 – including the recommendation above regarding dual materiality and alignment with other disclosures.</p> <p>Given the proposed changes to structure and format of your report, we would recommend that the materiality assessment process is reviewed in detail as part of the next assurance process, to further understand the methodology and information sources used – and how this is then used to determine the revised approach.</p>

2.1 Previous Recommendations – Reflections

Jacobs has reviewed recommendations made to Innospec in previous years to identify any recommendations or key themes which have value in being reiterated in this report.

Internal data reporting and validation – previous Recommendation Reports have included recommendations relating to the internal reporting and validation process at Innospec. It is extremely positive to observe significant improvements during recent years, with notably fewer data errors, supported by the process you have put in place. The assurance process has confirmed that the data reporting is robust and working effectively. A recommendation to facilitate or encourage sites to improve their written procedures on data reporting was made in the past and has been reiterated this year.

Response to external events: previous Recommendation Reports noted the impact of COVID-19 and the transition to remote working on Innospec's approaches, information management and the annual assurance process. We observed that impacts of hybrid working were not deemed as significant this year, and the increased familiarity with working remotely meant that the quality of communications and evidence collation were not affected by continuing to use these methods. We note that in 2022, Innospec responded to the significant business impact of Russia's invasion of Ukraine. Innospec closed its Russian operations and complied with the legal requirements in its different operational geographies. Continuing to learn from these 'black swan' type events and real, potential, and perceived risks on your business – directly and across your value chain – is fundamental to business resilience and management of (ESG) risk.

Evidencing claims – it is great to see a continued investment by Innospec in improvement projects and product innovation. Previous recommendations have focused on improving consistency in calculating and documenting 'savings' or other benefits (these could be avoided costs, emissions, efficiency improvements etc) which support the claims made in your reporting and other communications. We noted again this year the potential to improve consistency of calculating benefits associated with energy and resource saving projects. Going forwards, ensuring transparency and robustness in any measured benefit will be critical to achieving clear, credible, and defensible disclosures for your projects and product innovations.

3. ESG Reporting Trends

As in previous years, additional information is provided below on topics relevant to your sustainability and ESG strategy and reporting that are becoming a key focus for our clients (and Jacobs). In our previous reports we have highlighted the importance of understanding the impact of emerging taxonomies on your business, spending and value chain, including how this will align to your investor engagement, expectations and ESG disclosures. We have also provided specific information on Scope 3 carbon reporting and responding to the TCFD disclosure framework. These all continue to be hot topics for many of our clients and are likely to be important for Innospec's approach.

3.1 Global Reporting Standards

Over the period that Jacobs has been assuring Innospec's Responsible Business reports, Innospec's approach to sustainability strategy, operationalisation and reporting has evolved considerably. It can now demonstrate a clear materiality process, governance at group level and thorough data collation and validation processes to support disclosures. Noting your recent changes to reflect the increased focus on ESG, and your proposal to make changes to your reporting approach next year, there will be an opportunity to consider how the structure and content of the ESG Report can be updated to align with best practice global reporting frameworks and emerging requirements, and continues to stretch and add value to both Innospec and your stakeholders. Key to this will be understanding the potential relevance and value of the following frameworks to your approach:

- The **Global Reporting Initiative (GRI)** is an international standards organisation that helps businesses understand and report their impacts on key ESG topics. The most recent GRI reporting framework is the Universal Standards which came into effect for reporting in January 2023. The Universal Standards cover core sustainability impacts on the economy, society and the environment. There are also GRI Sector Standards which apply to specific sectors, such as Oil and Gas, Coal, and Agriculture. There is a plan to extend this to include Chemicals sector in future. GRI Topic standards also apply to topics including Waste, Occupational Health and Safety, and Diversity. Understanding the relevance and potential value of this framework is likely to be beneficial for Innospec, particularly as several recently published reporting standards also align to GRI.
- As mentioned in our recommendations, the International Sustainability Standards Board (ISSB) recently launched **IFRS S1: General requirements for disclosure of sustainability-related financial information** (and IFRS S2 which relates specifically to climate disclosures). This new global standard sets requirements for disclosure of sustainability-related risks and opportunities, including governance, strategy, risk management and metrics/targets. It would be beneficial for Innospec to consider how this standard – or core principles of aligning requirements across key disclosure frameworks – could be used to consolidate and streamline their reporting and disclosure approach.
- The EU regulations on ESG-related reporting requirements include the Corporate Sustainability Reporting Directive (CSRD) that requires companies to share information about their sustainability practices. One of the key parts of CSRD is the **European Sustainability Reporting Standards (ESRS)** which is a set of guidelines for reporting sustainability performance. The standards cover a range of environmental, social, and governance issues and provide information for investors to understand the sustainability impact of the companies in which they invest. They also take account of the work by the ISSB and GRI to support alignment and integration between EU and global standards.

We recommend you undertake a gap analysis to determine how these requirements (particularly for CSRD) apply to your business and what will be needed for compliance - and the differences and potential benefits that aligning the report to a standard would bring. Following the completion of a gap analysis, a transition plan would help to ensure Innospec are prepared for changes to reporting, which may be required from 2024.

3.2 Alternative Assurance Standards

Currently you disclose your sustainability and ESG information annually through the ESG Report (previously Responsible Business Report) and this is assured to the AA1000 Standard, which has been applied by Jacobs for a number of years. Our observation is that this has provided value to your reporting, not only in providing the assurance itself, but in providing structure and a risk-based approach to assessing the robustness of your

approach and where you can focus your efforts to continue to mature and make improvements. We have certainly seen the benefits in terms of integration, consistency, and best practice.

In line with the internal changes at Innospec and the proposed changes to your sustainability reporting and ESG disclosures, as well as emerging taxonomies and the reporting standards discussed above, it may be beneficial to review whether the AA1000 standard remains the most appropriate assurance standard for you and continues to provide value to your overall approach. This includes its alignment to other audit and assurance processes you apply across your whole business and financial reporting.

Recently, the International Auditing and Assurance Standards Board (IAASB) approved a first draft International Standard on Sustainability Assurance (ISSA) 5000. The standard is intended to serve as a standalone standard suitable to limited and reasonable assurance engagements. The draft standard is newly released with public consultation currently underway. As the standard has been developed recently, it is able to complement additional global reporting standards including ISSB and GRI. There may be an opportunity to consider alternative assurance standards that are developing in line with emerging taxonomies, which may be more suitable for a global operating company and may provide mutual benefit for other reporting requirements such as the non-financial reporting requirement.

It is suggested a review into the new global assurance standard may be a useful exercise and will allow Innospec to identify an assurance framework and pathway (including a transition if this is required) which is most relevant for your ESG reporting and continues to provide you with the value this process has to date.

3.3 Taskforce on Nature-related Financial Disclosure (TNFD)

Earlier this year, the TNFD (Taskforce on Nature-related Financial Disclosure) Framework was shared ahead of formal publication this September (September 2023). The anticipated framework follows the two-year design and development process to provide a framework to identify, assess, respond and if/where appropriate, disclose nature-related issues. The principles of TNFD are similar to TCFD in that the purpose is to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks and opportunities to their business, sites, operations, and value chains. This means they can actively identify key relationships, dependencies and risks associated with nature that are relevant to their business which may therefore affect future strategy and effective performance.

This is something which investors and other stakeholders are increasingly seeking evidence on as part of ESG disclosures, and the ultimate aim is to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.

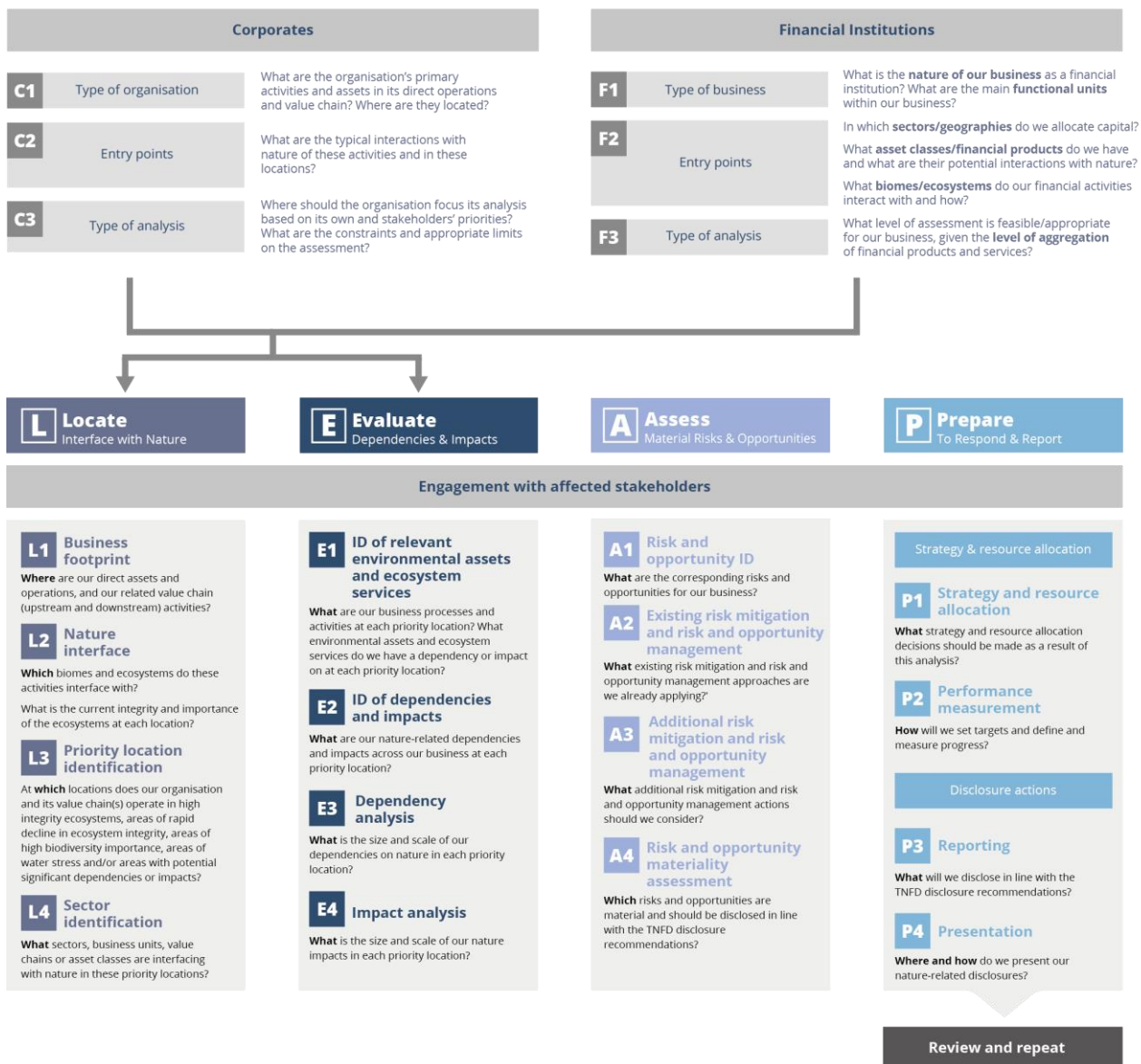
The TNFD has developed an integrated assessment process for nature-related risk and opportunity management called [LEAP](#), consisting of four key steps (more information on breakdown of key questions is provided in the figure over the page):

1. Locate your interface with nature,
2. Evaluate your dependencies and impacts,
3. Assess your risk and opportunities, and
4. Prepare to respond to nature related risks and opportunities and report.

Innospec currently considers and reports specific nature related risks such as those relating to sustainable palm as a member of RSPO, however the TNFD approach applies the framework to the whole business, locations, supply chains etc. It will be important to understand what will be required and how this will align with your materiality assessment, ESG and reporting approaches.

As is the case for many of our clients, Jacobs is currently preparing a nature baseline, which is the first step within the LEAP guidance. Initially this will focus on our physical sites and locations, and consideration of the impact on our staff and how they work. It will then be important to extend this to consider the interaction with nature in relation to our products and services. As for our approach to TCFD, we plan to consider this on a market/sector basis, and to review in relation to major projects and programmes, with a view to extending this value chain approach as our approach matures and data can be made more readily available. There are many providers of digital tools and data which can be used to establish baseline information and screen impacts, helping to streamline this approach.

Scope the assessment



Following the official launch at New York Climate Week, the TNFD is hosting a public webinar on the final version of its recommendations on **19th September 2023**. The webinar will cover:

- TNFD’s finalised disclosure recommendations.
- Additional guidance – the LEAP Approach, sector & biome-specific guidance, value chains and others.
- Metrics.
- Where the TNFD is going next.

You can register for this launch event [here](#).

4. Summary Assurance Statement

Scope

Jacobs UK Ltd ('Jacobs') has provided this Assurance Statement in relation to Innospec Inc. 2022 ESG Report. This assurance is in accordance with AccountAbility's AA1000 Assurance Standard AA1000AS v3 and is undertaken to a Moderate level of assurance¹. Jacobs was engaged to provide Type 2² assurance covering evaluation of the AA1000 AccountAbility Principles (2018) of Inclusivity, Materiality, Responsiveness, and Impact. Jacobs also considered the reliability of environmental and other sustainability performance data contained within the ESG Report, as per the AA1000 guidelines and criteria.

Methodology

The assurance process was conducted by Jacobs between February 2023 and June 2023. The assurance process consisted of the following key steps:

- Review of 2022 ESG Report.
- Collation of material and key statements from the ESG Report.
- Completion of 5 site interviews and 4 corporate function interviews:
 - Sites: Ellesmere Port, Vernon, Leuna, Oklahoma, and Midland.
 - Corporate Functions: HR (Human Resources), Legal, SHE (Safety, Health and Environment), ESG (Environmental, Social and Governance).
- Review of evidence to validate material claims within the 2022 ESG Report.
- Review of environmental and sustainability performance data collection, reporting and validation processes.
- Sample based review of 2022 environmental and other sustainability performance data.

Conclusions

Based on the assurance process completed, Jacobs considers the following statements to be true:

- The 2022 ESG Report has been verified in full and the information it presents is a fair reflection of its activities in 2022. To a moderate level of assurance, all material aspects are deemed to be accurate.
- Innospec have demonstrated adherence to the AA1000 Accountability Principles of Inclusivity, Materiality, Responsiveness, and Impact.
- The systems and processes relating to data collation and reporting are considered to be fair and appropriate.

The 2022 ESG Report has been verified in full to a moderate level of assurance, with material claims discussed further with corporate functions and selected sites. Based on this assurance process, Jacobs has no material concerns with the 2022 ESG Report or the 2022 environmental and sustainability performance data.

Jacobs Bristol, June 2023



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¹ AA1000AS v3 states that a 'Moderate' level of assurance can be obtained with 'limited' evidence to support statements in the report, which is sourced internally and mostly provided by those at management level. Performance information is subject to 'basic sampling', to ensure 'plausibility' of the information.

² AA1000AS v3 states that a Type 2 assurance engagement assesses adherence to the four Principles and the completeness and accuracy of sustainability performance information. Findings and conclusions from both parts must be provided.