

Moving forward
together

innospec 

Oilfield
Services

2022

Environmental
Social
Governance
Report

Oilfield Services in 2022

Advancing Oilfield chemistry and services to meet customers' needs.

In 2022, after an initial slow start, our business overcame many residual challenges from the pandemic to record a 75% increase in sales and fourfold increase in profits over the previous year. Our portfolio of sustainable chemical solutions is helping customers access and recover oil and gas resources more efficiently and economically. We are improving the fluid solutions used to drill and complete new wells and to maintain productivity in producing wells and the flow in pipelines.



Tom Entwistle

President Oilfield Services

“

It has been a good year for Oilfield Services. With demand for our oilfield products and technical services increasing sharply, there were plenty of opportunities to grow our business in 2022.

Our focus on sustainable, yet economical solutions for our customers, such as our water-based chemistries, is just one example of how we adapt to our clients' needs. Simultaneously, we understand the significance of prioritizing the safety of the people working in our industry. Our investment in health and safety training helps us to identify and eliminate workplace hazards and keep our employees safe.

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Introducing new sustainable chemistries

As a business we believe in developing more sustainable chemistries, where economically possible. As the market demanded more sustainable solutions, we were pleased to formally launch the industry's first high-performance water-based friction reducer, AquaBourne™. This water-based slurry is composed of an anionic polyacrylamide, designed to provide excellent dispersion and rapid hydration when added to frac water, in fresh, moderate to high TDS (total dissolved solids) brine waters. The details of our approach and chemistry were the subject of an in-depth scientific paper published in the Society of Petroleum Engineers Journal of Petroleum Technology.

DRA manufacturing gains

ISO 9001:2015 certification

We introduced our first drag reducing agent (DRA) manufactured at our plant in Pleasanton, Texas in 2018. Four years later, the site has now achieved the internationally recognized quality management system, ISO 9001:2015. This certification reflects the ongoing success of the midstream operations team.

Safety is our number one priority

The safety of our people and communities is non-negotiable, and we are committed to following the stringent safety measures and processes firmly established for the oil and gas industry. During the year, our employees recorded almost 15,000 hours of safety, health and environmental (SHE) training. On average, each Oilfield Services employee receives 24 days of SHE training annually.

Middle East expansion

In 2022, we expanded the reach of our Oilfield Services business into Europe, the Middle East and Africa (EMEA) through a new joint venture with the Saudi Arabian company Global Technical Service Co Ltd (GTS). Together, we formed Innospec Saudi Arabia Industry Company (ISAIC), a new legal entity with Innospec Ltd holding 70% of the shares. With our new office in Saudi Arabia, we can now trade directly with customers in the region, establish manufacturing activities and source raw materials closer to our customer base. This not only enhances the efficiency of our logistics, but it also reduces the greenhouse gas (GHG) emissions of our supply chain in the region.

Product and technical expertise promotions

Throughout the year we focused on maintaining excellent communications with our customers through face-to-face meetings. We also attended numerous trade shows and participated in regional industry events and conferences. We exhibited at several events including the Southwest Petroleum Short Course Texas, the Australian Petroleum Production & Exploration Association (APPEA) conference in Brisbane, the Abu Dhabi International Petroleum Exhibition and Conference (ADITEC) and the Society of Petroleum Engineers Annual Technical Conference in Texas. This represents just some of the main channels we use to promote our products and technical capabilities to the industry.



Tom Entwistle
President Oilfield Services



Real-time remote monitoring

Providing comprehensive technical support to our customers, enabling them to solve complex challenges in the field, is all part of the broad range of services we provide. This extends beyond developing innovative chemical solutions. In 2022, we initiated the installation of remote monitoring software in the field for some customers, providing real-time data collection. This helps to improve safety for field operators, reduce drilling time, optimize production, improve pipeline fault detection, and enhance supply chain management. This type of system is invaluable where wells are in remote locations and may be inaccessible at certain times of the year. It is also vital where fields and wells have high hydrogen sulfide (H₂S) levels or are high-pressure wells, creating a real danger to personnel working onsite.



About Innospec

A global business

We are a NASDAQ-listed (IOSP) global specialty chemical company that focuses on bringing new, innovative technologies to our chosen markets and customers. With approximately 2,100 employees in 22 countries, we manufacture and supply a wide range of products through our three business units: Performance Chemicals, Fuel Specialties and Oilfield Services. Our products are developed, manufactured and distributed from our operational locations in the Americas, Europe, the Middle East, Africa and Asia Pacific. Customers benefit from the strength of our worldwide manufacturing capabilities, our global distribution facilities and our world-class technology centers equipped with state-of-the-art equipment.

Our employees

Our employees are critical to the ongoing success of our business, and we continuously invest in our people to make sure we have a highly engaged and motivated workforce. We want our employees to be inspired by leadership, engaged in purpose-driven, meaningful work, and have opportunities for personal growth and development. Our aim is to create an environment where employees are encouraged to fulfill their potential and make a positive contribution to our business.



2,119 employees across
22 countries

Length of service:



Male: 76% (1,603 employees)



5 years +: 54%
(1,150 employees)



Female: 24%
(516 employees)



10 years +: 35%
(740 employees)

**Female employees in
senior role: 26%** (53 employees)

Female Board members: 25%
(2 employees)



Overview

↑ Revenue
US\$1.96 billion
up 32%

↑ Gross Profit
US\$586.7 million
up 35%

↑ Operating Income*
US\$187.3 million
up 42%

↑ Adjusted EBITDA**
US\$225.4 million
up 26%

All figures rounded to one decimal place. * Income before restructuring and impairment.
**Earnings before income tax, depreciation and amortization.

Net sales revenue



💰 **US\$38.7 million** spend in R&T in 2022 up 3%

👥 **253 people working globally** in R&T and Technical Support up 6%

🧪 **Global R&T Center** Ellesmere Port, UK

🏆 **Global Center of Excellence** UTAC Millbrook, UK

🌐 **Global network of 9 Technology Centers**
Herne, Germany. Leuna, Germany. Vernon, France. St Mihiel, France. Barcelona, Spain. Singapore. Chatsworth, US. Oklahoma City, US. Rio De Janeiro, Brazil.

📍 **4 Regional R&T/Technology Centers**
Castiglione, Italy. Houston, US. Pencader, US. Salisbury, US.

Financial performance summary for 2022

In 2022, our financial performance hit new highs with annual sales reaching US\$1.96 billion and a double-digit growth in operating profit. Each of our core businesses made an important contribution to these results and we benefited from having a balanced product portfolio spanning different markets and geographic regions.

Despite the rising cost of raw materials, labor and energy, all our businesses delivered an excellent performance. Growth in our Performance Chemicals business continued with strong sales and operating income up over the previous year. Fuel Specialties delivered strong returns although inflation impacted profit margins. Oilfield Services finished the year with stronger than expected results. Sales and profits rose significantly with demand for production chemicals up sharply. We ended the year with a strong balance sheet and no debt.

Innovation, investment, research and technology

Investment in our sites, our laboratory facilities, our workforce, and our systems and processes help drive innovation by enabling us to work more efficiently and effectively with our colleagues and customers. In 2022, we increased our investment in these vital areas spending US\$38.7 million on research and technology (R&T), a rise of 3% on 2021. We also increased the number of people employed in our global R&T and Technical Support teams by 6% to 253, representing 12% of Innospec's global workforce. Through innovation, investment, research and technology, we help our global customers achieve their sustainability goals.



A year of successes



Better chemistry makes better wells

With an ever-increasing demand for energy, it should be apparent that we need all types of commercial energy sources to support the 'grid', including the cogeneration of electricity by manufacturing plants, geothermal, hydroelectric, nuclear, coal, oil, gas, wind, and solar. Each source has its benefits and its issues. Until these technologies evolve sufficiently to support our growing energy demand, our mission is to help recover oil and gas resources as economically and efficiently as possible, by developing novel and sustainable chemical solutions.

We believe that conventional products need to work smarter for our clients. Using sustainable raw materials, where possible, we are looking for innovative ways to improve the fluid solutions that are used to drill and complete new wells and to maintain productivity in existing producing wells and the flow in pipelines. In our view, better chemistry makes better wells.

Prioritizing workplace safety

The safety of both our employees and our customers is our number one priority. As a business, we are committed to continually improving the stringent process management and safety training we have put in place to help identify and eliminate workplace hazards. According to the Bureau of Labor & Statistics, between 2013 and 2017, 489 oil and gas workers were killed on the job. Since then, the industry, has established stringent training and processes to identify and eliminate hazards in the workplace.

Our Journey to Zero Harm (JTZH) program is our key strategic tool to help reduce accident numbers by encouraging everyone to take responsibility for carrying out a personal safety risk assessment before starting an activity. It sets the baseline for our safety performance. Since 2020, in our Oilfield Services business, we have seen a 44% increase in manager safety interactions and a 36% increase in 60-second checks, meaning more of our employees are engaged in proactively identifying the hazards on the job and any opportunities to improve safety.

In 2022 our total recordable incident rate (TRIR) of 0.69 tracked well below the industry standard of 1.9. Our 60-second checks, manager interactions and monthly toolbox talks are all key to maintaining our great safety record. Additionally, we widened our instructional training program to also include office personnel, increasing the outreach of our safety programs. In total, our employees logged almost 15,000 hours of Safety, Health and Environmental (SHE) training. On average each employee received 24 days of training.



Recognizing safety performance

We believe it is important to recognize the good safety performance of our employees. One of the ways in which we do this is through our corporate safety awards and certificate programs. It gives individuals and teams the opportunity to be recognized throughout the year. In 2022 our Safe Employee Award winners were Donnie Parks, Delivery Driver - Production Chemicals, North Region; Robert Samarra, Fluid Specialist - Stimulation Chemicals, South Texas; and Robert White, Service Technician - Production Chemicals, West Texas.



Providing support through our regional laboratories



Our regional laboratories, located in Oklahoma City, OK, Midland, TX, and Pleasanton, TX, focus on analyzing field samples and fluid samples for the purpose of performance optimization and to help our customers quickly solve their toughest operational challenges. In 2022, our lab personnel managed over 28,500 samples and carried out more than 1,300 performance tests for our Production and Midstream customers. Our drilling and stimulation lab personnel delivered 400 projects and produced over 300 technical reports for our Drilling and Stimulation customers.



Laboratory support in 2022

Drilling and Stimulation

- 400** projects
- 95** unique customers
- 363** flow tests
- 348** water analysis
- 338** technical reports

Production

- 28,754** samples
- 36** unique customers
- 1,326** performance tests



Looking after our communities

Getting involved in our communities

Our employees are long-time residents of the communities in and around where we operate. So, it is extremely important for us, as a company, to be involved and support local charities and organizations. In 2022, many of our employees took advantage of the Innospec Cares volunteering and match funding programs to make a significant contribution to the organizations they are passionate about.

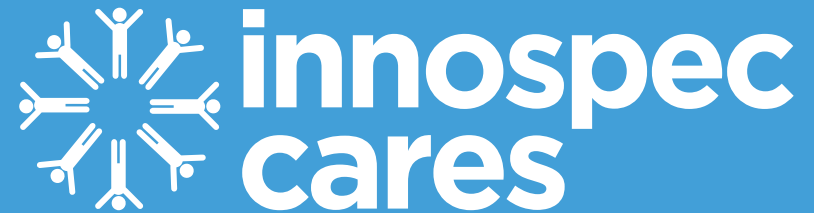
Our Production Chemicals team in Oklahoma volunteered at the **Lindsay Community Food Bank**, helping to pack and distribute food boxes for local families.

We held our first-ever employee blood drive for the **South Texas Blood and Tissue Bank** at our Pleasanton, TX facility when 27 employees donated 27 units of blood, which is equivalent to saving 81 lives!

Our Production Services North Team prepared 251 toddler packs for the **Oklahoma City Infant Crisis Center** to support local families with small children. We also donated of 120 lbs. of diapers, food and other much needed supplies.

When the **Special Olympics of Arizona** chapter hosted their 2022 Breakfast with Champions Roundup, our employees, alongside other guests, made individual contributions of more than US\$7,500. We then donated an additional US\$5,000 through Innospec Cares.

Safer Path, South Texas, US



Since 2016



US\$1.2 million+ raised.



1,537 volunteering hours.



398* community groups and charities helped.

*Some charities are supported multiple times a year, each year, by employees; these charities are only counted once in this number.



Lindsay Community Food Bank, Oklahoma, US

Our South Texas team participated in a fundraising event for **Safer Path** and then nominated them for direct support through Innospec Cares. We agreed to support their mission with a donation. Employees presented the charity with a check for US\$2,280.

Our 8th Annual Oilfield Services Golf Invitational at the Palmer Course in The Woodlands, TX, raised US\$175,000 for the **Military Heroes Program**, which is managed by the **PenFed Foundation**. We also raised an additional US\$25,000 in donations over the course of the two-day event. We could not be prouder of the continued support received from our sponsors, customers, and employees who helped us to achieve this goal. The Military Heroes Program started in 2003 when The PenFed Foundation partnered with the George Washington Chapter of the Association of the US Army to provide clothing, phone cards, gift certificates, and personal items to the wounded returning from Iraq and Afghanistan. Since then, the Foundation has helped numerous veterans and their families with childcare, emergency relocations, home loans, hurricane relief, and housing. In 2021 alone, the PenFed Foundation provided more than US\$40 million in financial support to veterans, active-duty service members, families, and caregivers.



8th Annual Oilfield Services Golf Invitational for PenFed, Woodlands, Texas, US



South Texas Blood and Tissue Bank, Pleasington, Texas, US



OKC Beautiful, Oklahoma, US

M.D. Anderson Cancer Boot Walk, Woodlands, Texas, US



Giving a helping hand

Trees offer significant benefits to our communities. From improving biodiversity and preventing erosion to providing cleaner air. Our North Region partnered with **OKC Beautiful** to plant shade trees in Schilling Park in Oklahoma City. The park is located at 601 SE 25th Street in Oklahoma City and the trees will provide some much-needed shade over the children's playground area. 12 employees volunteered a total of 96 hours to help plant, mulch and stake the trees.

One in 44 children is diagnosed with autism spectrum disorder, more than are diagnosed with cancer, diabetes and AIDS combined. Our Production Chemicals business sponsored golf towels and participated in the 2022 **Drive Fore Autism** Golf Tournament held in Oklahoma City at the Greens Golf & Country Club. The charity helps fund 90 innovative and unique autism programs in 13 Oklahoma communities.



Toys For Tots, Woodlands, Texas, US



Oklahoma City Infant Crisis Center, Oklahoma, US



Drive Fore Autism, Oklahoma, US

Our Production North Region hosted three blood drives at our Oklahoma City facility. This has been a longstanding tradition for the team. Over the year we collected a total of 24 units of blood to support the **Oklahoma Blood Institute (OBI)** which supplies 90% of the state's blood used by 160 hospitals, medical facilities and air ambulances. OBI is the sixth largest non-profit blood collector in the country. Teaming with Arkansas and Texas, they work to ensure area hospitals have access to reliable, sustained blood supply for the Texoma region.

Employees from Woodlands, TX participated in the **M.D. Anderson Cancer Boot Walk**, which together with match funding from Innospec Cares, raised more than US\$7,500.

Members of our Production Chemicals team took part in a clay shoot to benefit a local, long time oilfield man, **Mark Adkins**. After Mark became very ill, the side-effects of treatment he received damaged his liver and he needed a liver transplant. With no insurance, the community rallied round to help pay for his treatment.

Every year our Woodlands, TX, office hosts a toy drive to help the local **Toys for Tots** organization. In 2022, they were able to donate two large boxes of toys and donate US\$3,360 thanks to money raised by employees and match funding through Innospec Cares.

Our South Texas regional team collected more than US\$1,400 for the **Wounded Warrior's Project**. Match funding through Innospec Cares meant we could donate a total of US\$4,230 to the charity.



If you would like to provide feedback on any aspect of this report, please email sustainability@innospecinc.com
Further details on Innospec, our products and services can be found on our website innospec.com

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In loving memory of Jeffrey Scott Dupont
05/16/1966 – 04/28/2023.

Jeffrey was the Director of Surfactant and
Drilling Technologies.



Download our recent ESG report at innospecsustainability.com and read more about our ESG strategy in action.