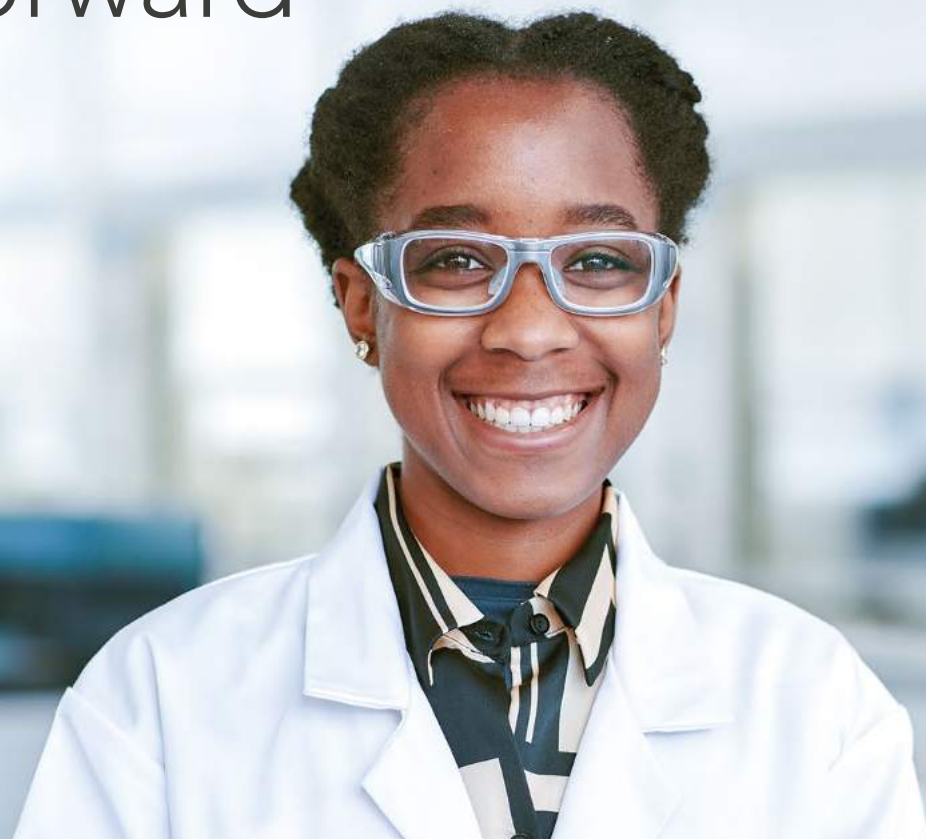


Moving forward
together



innospec 

Performance
Chemicals

innospec

2022

Environmental
Social
Governance
Report

Performance Chemicals in 2022

Our Performance Chemicals business delivered full year sales and operating income for 2022, well up over the previous year.

Driving this growth are our industry-leading technologies which are well matched to the current market trends of wellness and sustainability. We continue to invest in organic growth with our US\$70 million expansion in Salisbury, US, for our key surfactant products. This is expected to be completed by the end of 2023.



Bruce McDonald

President Performance Chemicals

//

Our Performance Chemicals business had a really good year. We've reaffirmed our position as market leaders in the personal care market with our mild, natural and sustainable product formulations.

We have grown our business in the home care, mining, agricultural and industrial sectors by focusing on sustainability through operational efficiency. We have invested in our infrastructure to expand our production capacity to meet customer demand for more natural and sustainable products. This is a business with a strong future.

//



Winning industry awards

Thanks to great teamwork and collaboration between our scientists, supply chain and customer-facing teams, we won three prestigious awards in 2022 across all three regions. In the UK, we were awarded the Laura Marshall Award for our Paper Pocket Cleanser formulation.

This single disc of soluble paper allows you to clean your hands or face with a gentle sulfate-free cleanser. In Australia, we won the CEO Special Award at the Natura &Co Embrace program award ceremony for our work with Aesop and the launch of their latest shampoo, hand wash and body wash. Finally, in the US, we were recognized in the annual Henkel Awards, receiving Best Innovation Contributor. We helped Henkel develop a unique covalent bonding repair technology from scratch and launch their next generation of hair care products.

Driving product development through innovation

In 2022, we developed a number of new products driven by consumer trends. We had great success with our cold process solutions, which are helping our customers save on production costs and reduce their impact on the environment. Formulating ingredients that can be processed without the need for heating and subsequent cooling saves time, energy consumption and associated emissions. We now offer 11 cold process solutions. Alongside our existing cold process grades, we have launched two groundbreaking, high performance, sulfate-free, mild surfactants called Luxuriact® and PUREACT SFB.

Challenging the need for animal testing

During the year, we continued to take an active role in removing the need for animal testing on ingredients used in cosmetic products, ranging from sunscreens and shower gels, to shampoos and conditioners. This is very important to us and our customers in the personal care sector. As members of the Animal-Free Safety Assessment (AFSA) Collaboration and the International Collaboration on Cosmetics Safety (ICCS) we commit to only using animal testing when all strategies to avoid and replace it have been explored and exhausted or where animal testing is mandated by regulatory authorities.

Finding alternatives to fossil fuels

As a business, we are committed to finding alternative raw materials that do not contain fossil fuel or petrochemical-derived components. Our Innovation for Sustainability team made further progress in 2022 towards developing our product range to offer customers the option of using 100% naturally derived ingredients or ingredients derived from 'circular' feedstocks.

We worked with several existing and potential raw material suppliers to identify new ways to utilize chemically identical, virgin fossil-free components. These can be sourced naturally from plants or derived from chemically recycled plastic or captured carbon dioxide. These components can then be converted into useful chemicals. At the end of 2022, our virgin fossil-free product portfolio had expanded to 10 products.

Talking to our customers

We pride ourselves on the strong relationships that we have built with our customers and suppliers. These are fundamental to the success of our business. In 2022, we launched a new microsite, innospecpersonalcare.com, to provide customers with our latest Personal Care formulations and detailed product information. It is also a great space for discussing the latest consumer trends and industry events. We also launched our presence on more social media platforms, including one aimed specifically at the Chinese market.

Over 680 customers and distributors attended two webinars entitled The Future of Cleansing. One was focused on hair and scalp care and the other on skin care. These webinars provided attendees with an opportunity to engage with us about our products and the latest technical projects. We were also interviewed for Cosmetics Business Magazine, giving us the opportunity to educate customers about our latest formulation trends and plans for the personal care market.

Bruce McDonald
President
Performance Chemicals



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



Male: 76% (1,603 employees)



Female: 24%
(516 employees)

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

Female Board members: 25%
(2 employees)

Length of service:



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



10 years +: 35%
(740 employees)



Overview

↑ Revenue
US\$1.96 billion
up 32%

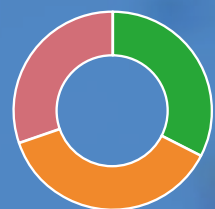
↑ Gross Profit
US\$586.7 million
up 35%

↑ 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



Performance Chemicals	US\$639.7m
Fuel Specialties	US\$730.2m
Oilfield Services	US\$593.8m

💰 **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 focus on sustainability

Join our journey to a more sustainable future

Sustainability is at the forefront of everything we do in Performance Chemicals, which is why our new Blue Ocean collection is important to us. It brings sustainable, effective, and fun to use formulations together that are focused on reducing plastics, packaging, waste and water.

In 2022, we launched our Blue Ocean Personal Care formulations which included the award winning Paper Pocket Cleanser alongside, Bubble Dough Putty, Zero Waste Tooth Tab, Duo Cleansing Bar and three Refill & Reuse Concepts in pill, powder or pod format. Our new Blue Ocean formulation pack for Home Care products was showcased at the SEPAWA® Congress in Berlin in 2022 under the theme of 'Join our journey to a more sustainable future' which included formulations for dish washing, toilet care and surface cleaners. This was the first time the two ranges of the innovative sustainable concepts were seen together.

2022 Personal Care
formulation range





A revolutionary taurate surfactant

In 2022, we launched our brand new, revolutionary taurate surfactant Luxuriact®. Due to increased consumer demand for high performing, cost effective, and sulfate-free ingredients, taurates are now the “go-to” ingredient for formulators. Luxuriact® is a cold process success. Designed by our development scientists to provide customers with a pourable, easy to handle taurate. It can be handled without the need for heating and subsequent cooling, saving time and energy while reducing environmental emissions. This opens new possibilities for formulators because 30% of taurates are very difficult to handle at room temperature.



2022 Home Care formulation range

Looking after the whole home

We supply a diverse range of surfactants, additives, and patented high-performance formulations for use in everyday cleaning products. Our ingredients find their way into everything from laundry liquids, pods, powders and tablets to dish care products, multi-purpose cleaners, toilet care and car care.

To support our customers and ensure they can deliver the products people want, we analyze market trends and focus on the key challenges they are facing. We have a reputation as reliable formulation partners who can combine technical knowledge with market understanding. Our technologies are behind some of the world's most popular cleaning brands.

Global Technology Center, Salisbury, US.

Three prestigious awards

We won three prestigious awards in 2022 across all three regions. Our Paper Pocket Cleanser was awarded the Laura Marshall Award for Innovation at SCS Formulate in the UK. It was also entered into the sustainable formulation competition at Cosmatorium Spain and came second. The development of the Paper Pocket Cleanser formulation was born out of a challenge set by our Performance Chemicals President, Bruce McDonald. The Global Technical Team was involved in a contest where the aim was the creation of an innovative formulation that would make a real contribution to sustainability. Alice Miles, Technical Manager for Personal Care EMEA had the idea for a face and hand cleanser delivered on an ultra-thin water-soluble paper disk. This would eliminate the need for plastic, and it would be easy to package and transport. The paper dissolves to create a gentle, sulfate-free foam, made from naturally derived ingredients. As a bonus this paper can be printed and personalized with a logo or text.

Our work with Aesop and the launch of their latest shampoo, hand wash and body wash in Australia won the CEO Special Award at the Natura & Co Embrace Awards ceremony. We were recognized for our innovation and support in helping Aesop reach their RSPO (Roundtable on Sustainable Palm Oil) goal for sustainable palm oil. Jeannie Ang, our Regional Sales Manager SEA & Oceania, has been working very closely with Aesop over the last couple of years and has an excellent working relationship with the company. Thanks to great teamwork we were able to fast track the whole approval process for the new products and meet a very tight deadline. Within just four months, we had identified the solution, provided samples, gained technical approval, allocated raw materials for manufacturing, and overcome all the logistical challenges of dispatching the first batch of product to Australia.

Once again, we were recognized in the annual Henkel Awards. Last year it was for helping them launch a shampoo powder formula in record time using our PUREACT surfactant technology. This year we received the Best Innovation Contributor Award for creating a unique covalent bonding repair technology for Henkel's latest generation of hair care products. Our challenge was to develop this new technology from scratch. Having an ongoing partnership with the customer proved to be a great benefit because we quickly understood what they wanted to achieve. We worked together to create this exciting new sustainable solution.



Alice Miles
Technical Manager for
Personal Care EMEA



Dynamic microsite for a cutting-edge market

In 2022, we launched a new microsite, innospecpersonalcare.com, to provide customers with detailed product information and the latest Personal Care formulations in this fast-paced market. It provides a great space for keeping up to date with consumer trends and industry events. We also extended our presence on more social media platforms, including one aimed specifically at the Chinese market. On LinkedIn, Facebook and Instagram we ran a successful campaign titled #meettheteam where we introduced key members of our team from our microbiologists and technical services managers to our global business directors. We believe our greatest strength is our people and our teamwork. Our ability to collaborate and work alongside our customers is part of what makes Innospec different.



Building the infrastructure for the future

In Salisbury, US, we opened a massive 20,000 square foot state-of-the-art Technology Center that includes 10 new laboratories. This will provide customer support and help drive innovation and new product development across all our Performance Chemicals markets, both regionally and globally. The building has been created with sustainability in mind, for example, using automatic and adjustable lighting to help save energy usage and the provision of charging stations for electric vehicles. Steve O'Connor, our Director of Technology of Innospec Performance Chemicals, was heavily involved in the project and had been working on it for several years before it came to fruition. By creating a bright and highly functional laboratory space that is much larger than our existing facility, Steve believes the new facility will accelerate current and future innovation. It encourages collaboration across all our technical teams and supports our commitment to delivering best-in-class chemistry and excellent customer technical service.



Steve O'Connor
Director of Technology

Global Technology
Center, Salisbury, US.





Looking after our communities



Getting involved and supporting local charities and organizations in the communities where we live and work is very important to us. Our sites around the world were involved in numerous fundraising activities during 2022.

Our people developed a range of creative ideas to help their local communities and their enthusiasm was boundless. In Castiglione, Italy, for example, we donated money to a charity assisting children with autism, psycho-physical and relational handicaps. Where we can, we choose social sourcing. Our site in Castiglione also uses a local organization, Saint Lucia Social Cooperative, to clean our site offices. The cooperative provides opportunities to disabled and disadvantaged people.

Innospec Cares is our global charitable giving and volunteering program that encourages employees to support and engage with our local communities. Having entered its seventh year in 2022, we have now raised over US\$1.2 million together with our employees. These funds have supported 398 wide-ranging community groups and charities around the world.

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. We received 111 applications from 22 Innospec locations helping to raise nearly US\$195,000. Our employees also took part in volunteering activities providing 516 hours of practical support to the communities in which we operate.



innospec cares

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.



Red Cross, Castiglione, Italy



Fondazione Malagutti Onlus, Castiglione, Italy



Meals on Wheels, Salisbury, US



United Way, High Point, US



Salvation Army, Singapore



Chester half marathon, Ellesmere Port, UK



Sunlove Home, Singapore

Two examples of volunteering include our Salisbury, US, employees helped **Meals on Wheels Rowan** to ensure homebound seniors and individuals with disabilities were given nutritious meals throughout the year. They also distributed blankets, gloves and hats they knitted themselves. Employees from our Castiglione, Italy, site volunteered with the **Italian Red Cross**, preparing food packages, organizing the warehouse and distributing food and gift parcels to those in need over Christmas.

For more information on our charitable activities go to innospecsustainability.com



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

Innospec Performance Chemicals

500 Hinkle Lane,
Salisbury,
NC, 28144, US
+1 704 633 8023

Innospec Manufacturing Park,
Oil Sites Road, Ellesmere Port, Cheshire,
CH65 4EY, UK
+44 151 355 3611

47 Scotts Road,
06-01 Goldbell Towers,
Singapore 228233
+65 6336 6286



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