

Sustainable Development Report 2006



Respecting the future

We measure Innospec's success not just in terms of its financial achievements - but also in terms of its environmental, health and safety performance. Together, these elements contribute to an economically sustainable business.

Innospec made excellent progress during 2006. We achieved our commercial targets in terms of improved shareholder value and secured measurable improvements in the company's sustainable development performance.

In the following pages you will find details of our environmental, health and safety performance for 2006. They contain the key environmental measures for each Innospec site.

We also monitor our global performance by measuring the level of resources we use to manufacture one tonne of our products. In 2006, our energy efficiency improved by 8%; the level of hazardous waste generated fell by 36%; and our consumption of water declined by 16%. We are therefore on track to achieve our ten-year sustainability targets for resources.

These figures represent a significant achievement, but they are just one more milestone marking Innospec's progress. We remain committed to further year-on-year improvements in our environmental, health and safety performance.

Our products also make a major contribution to a sustainable future by innovative applications of green chemistry. This year, in the report, we include a section of examples of this in fuel technology.

Paul Jennings President and CEO

Richard Shone Vice President Safety, Health & Environment

Building a sustainable business

Innospec's core values are Innovation, People, Sustainable Development and Customer Focus.

Innospec is a dynamic global specialty chemicals business. We want success but this must be achieved responsibly, with due concern for the environment, the earth's precious resources and the people who work for us. If not, our success will be short-lived.

What we are working towards is Sustainable Development. This is one of our core company values. It means we are determined to develop a business that will meet the needs of our generation without compromising the ability of future generations to do the same.

At all times we are guided by our Sustainable Development principles outlined below. These principles keep us focused on maintaining high standards of health and safety performance, seeking out innovative solutions to difficult problems and striving for continuous improvement. By achieving success in all these areas we can ensure Innospec grows in a sustainable way.

Our Sustainable Development Principles

Innospec has championed the principles of Sustainable Development for many years. We believe in achieving our corporate objectives and delivering shareholder value by managing a competitive and economically sustainable company and by adopting innovative business solutions that help satisfy society's needs.

- We have a clear policy that shares responsibility and accountability at all levels, fully involving our employees through good training and communication
- We commit to delivering the guiding principles of Responsible Care™ in our performance
- We optimise our use of natural resources
- We ensure that we have taken all reasonable steps to prevent harm to human health and the environment
- We demonstrate good practice in ethical behaviour
- We respect the culture and rights of individuals
- We adopt high standards of corporate governance
 and accountability

Putting these principles into practice requires the hard work and dedication of all our employees. Our Responsible Care[™] and Product Stewardship programmes were established many years ago to keep us focused on improving performance year-on-year.



Responsible Care™ is the worldwide initiative by the chemical industry to deliver continuous improvements in health, safety and environmental management. Innospec is a long-term

supporter of Responsible Care[™] and this Sustainable Development Report is part of our commitment to open and frank communications on health, safety and environmental issues.

All over the world, we have programmes in place to monitor and evaluate our operations on a continual basis. Data on our performance in 2006 taken using a range of health, safety and environmental measurements can be found at the end of this document.

Product Stewardship involves the management and control of products throughout their lifespan: from research and development to the point where their use is no longer required. This is a more complex task than might first appear. Innospec currently supplies more than 1,000 products, which are sold in 23 countries around the world. An effective Product Stewardship programme must therefore be supported by detailed information on each product.

In 2006, we introduced a new Product Stewardship Management Standard supported by a comprehensive product database containing the essential data on its products: their physical and chemical properties, information on their toxicology and eco-toxicology characteristics, exposure levels and downstream applications. The database also provides an important information framework supporting Innospec's regulatory compliance.

Fuelling the Future

Manufacturing and supplying products that bring economic and environmental benefits to our customers and the wider world is an important part of what we do. It is one of the principles of Sustainable Development that guides our business.

Every day our scientists are looking for new additive solutions to make things work faster, cleaner and better through the application of green chemistry. Here are just a few examples relating to our Fuel Specialties business that illustrate how a company like ours can contribute to a better future for all.

Reducing emissions

In response to increased regulation and ambitious government targets for improved air quality and emissions from all forms of transport, we are making an important contribution towards the research and development of products and processes that help to deliver these targets.

Engines that operate at maximum efficiency whilst generating minimal emissions result from a combination of innovative engineering and green chemistry. Fuel additives and treatments play a key role in this process. Innospec's specialty chemicals are developed and formulated to meet the needs of complex engine technology and legislative compliance.

This interaction of advanced engine technology and fuel additives has delivered massive benefits to human health and the environment. In Germany, research by car-maker Volkswagen shows that emissions of carbon monoxide, hydrocarbons and nitrous oxides from passenger cars fell by more than 95% in the twenty years, 1980 to 2000.









believes the development of innovative new products is the key to reducing harmful emissions.

Diesel Fuel

The reduction in sulphur levels in diesel fuel and the introduction of ultra low sulphur diesel has only been possible because of innovative developments in fuel additive technology. The process of reducing sulphur levels also removes all the lubricating qualities of the fuel, which keep the engine, and particularly the fuel pump, in good condition. Innospec was the first company to develop and launch an entire range of additives to improve the performance of ultra low sulphur diesel fuel.

Challenge: To develop a range of additives to allow the removal of sulphur from diesel fuel and compensate for the absence of its lubricating qualities.

Innospec solution: Formulating the OLI 9000 range of lubricity improvers added in small quantities at the refinery, allows the sulphur content of diesel fuel to be reduced significantly whilst maintaining protective lubrication for the engine. Historic levels of sulphur were 5,000 parts per million; today's standards are 50 parts per million or lower - 15 parts per million is lowest current standard (USA).

· Particulates from diesel

Burning diesel fuel instead of gasoline results in significant reductions in carbon dioxide emissions. However, diesel fuel does emit higher levels of particulate pollutants from the vehicle's exhaust. The exhaust filters designed to collect this particulate naturally block quickly and are therefore not a solution on their own. Regenerating these filters requires burning off the soot deposits at temperatures higher than normal exhaust operating temperatures.

Challenge: To allow the filters to regenerate and avoid blocking by removing soot deposits at normal engine operating temperatures and without compromising performance.

Innospec solution: To develop the Satacen range of fuel-borne catalysts which allow the particulate soot to burn off naturally and result in a >95% reduction in particulate emissions from the exhaust. Cleaner exhaust emissions deliver major improvements in air quality and improvements in human health. This technology is being introduced by major European vehicle manufacturers as original equipment. It can also be retro-fitted and will become increasingly important as other major cities follow London's example and adopt the concept of Emissions Zones.

Marine Engines

Engines of ocean-going ships and liners are designed to use heavy fuel oil. This is a cost-effective fuel, but results in higher emissions of pollutants and more frequent engine maintenance.

Challenge: To provide an economic solution to improving the efficiency of marine engines whilst simultaneously reducing harmful emissions and requiring a less costly maintenance regime.

Innospec solution: As the largest supplier of heavy fuel oil treatments in the world, Innospec's Octamar[™] range delivers reduced emissions, lower maintenance and improved fuel economy. Octamar[™] additives offer a sustainable and economic solution for all forms of marine transport.

Measuring performance

Innospec has received many industry awards for its excellent employee safety record.

This section of our report details the results of our health, safety and environmental performance in 2006 represented graphically. You will find data for Innospec as a whole on our use of natural resources, our environmental footprint and our accident safety record as well as emissions and waste data for each of our manufacturing sites.

Resources

In 2000, Innospec adopted three ten-year sustainability goals covering the natural resources the business consumes and the amount of hazardous waste it generates.

Summary:

Each data chart measures the use of resources for every tonne of product produced. In 2006, energy efficiency improved by 8%; water usage by 16%; and the volume of hazardous waste generated reduced by 36%.

> Innospec is well on track to meeting CIA goals.







Environmental Burden

Innospec has also adopted three ten-year targets, which aim to measure our success in reducing the impact of our operation on the environment.







Summary:

In 2006, emissions causing acidification fell by 11%; emissions of photochemical ozone by 57%; and emissions contributing to global warming declined by 7%.

Innospec generated 36% ess hazardous waste in 2006 compared to the previous year.

Health and Safety

The standard industry measure of its safety performance is the Lost Time Accident Frequency Rate (LTAFR). In 2006, Innospec's LTAFR rate fell by 33% and is now significantly below the industry average.



Total hours worked

The Chemical Industries Association publishes its annual safety data in Summer 2007.

Ellesmere Port, United Kingdom

The Ellesmere Port manufacturing facility produces a range of specialty chemicals in addition to the world's only remaining plant manufacturing tetra ethyl lead.

Summary:

In 2006, Ellesmere Port's emissions of carbon dioxide emissions fell by 25%; lead emissions to air reduced by 34% and lead effluent to water declined by 23%; emissions of volatile organic compounds fell by 65%.





Lead to Air + Local Consent Limits 80 70 60 50 tonnes 40 30 20 10 0 2002 2004 2003 2005 2006 Consent Actual

communicates enly and honestly



Widnes, United Kingdom

Aroma Fine Chemicals produces organic chemicals for use in perfumes, cosmetics and personal care products. It also manufactures a range of fine chemicals as intermediates in the production of other chemicals. Most of the site's waste stream (95%) is aqueous biodegradable material which, after treatment, provides the fuel to power generators supplying the national electricity grid.



Summary:

In 2006, the volume of hazardous waste generated by the Widnes site fell by 39%. In the last five years, the site has achieved a 60% reduction in its hazardous waste as the result of a major investment in an on-site treatment facility.

Herne, Germany

The Herne site manufactures specialty chemicals based on Ferrocene – an iron compound and a key component in a range of fuel additives that improve combustion quality and reduce emission levels in fossil, motor and marine fuels.

Summary:

Levels of chemical oxygen demand in the effluent from the Herne site rose by 31% in 2006 reflecting increases in the site's production volumes; whilst the volumes of liquid waste remained stable at the previous year's level.





Leuna, Germany

Leuna operates a high-pressure polymerisation plant for the manufacture of special products based on ethylene: EVA, PE waxes. It has an excellent portfolio of products and technologies built up over many years in the industry.



Summary:

Levels of disposal waste from the Leuna site remained stable in 2006. Over the last five years, however, levels of disposal waste have fallen by 26%.

Innospec is totally focused on reducing the mpact its operations have on the environment.

High Point, United States

High Point provides toll-manufacturing facilities to other chemical manufacturers for the development of new products, the provision of additional manufacturing capacity or the need to reduce production costs.

Summary:

The wide variety of different products made at the site each year results in variable levels of waste. In 2006, total hazardous waste rose by 42% and hazardous waste relative to production levels rose by 54%.

Spencer, United States

The liquid effluent generated by the Spencer site is a rich source of agricultural nutrients. Widely used as a fertiliser by local farmers, the effluent is sprayed directly onto farm land to cultivate quick growing grasses which are then harvested for animal fodder. Over the last four years the proportion of effluent being recycled in this way has risen from 22% in 2003 to 54% in 2005 - a good example of sustainable waste management.

Summary:

In 2006, the amount of liquid effluent produced by the Spencer site rose by 8%.

Vernon, France

The Vernon facility manufactures heavy fuel oil additives for boilers, furnaces and gas turbines. It also produces a range of specialty biological chemicals used for corrosion protection, fouling reduction and treatments for industrial and municipal wastewater.

Summary:

In 2006, the total volume of organic carbon generated by the Vernon site fell by 8%.











Innospec Inc. Innospec Manufacturing Park Oil Sites Road, Ellesmere Port Cheshire, CH65 4EY, UK Tel: +44 (0)151 355 3611 Fax: +44 (0)151 356 2349 www.innospecinc.com