



**SUSTAINABLE DEVELOPMENT REPORT**

**2010**



# INTRODUCTION: reporting on progress

Every year we publish a Sustainable Development report on the safety, health, and environmental performance of our company. This annual event has been an important part of our communications since 1999.



**Patrick S. Williams**  
President & Chief  
Executive Officer

By sharing this information with our shareholders, employees, customers and local communities, we are reaffirming our commitment to the principles of sustainable development and our willingness to take full responsibility for the impact that our business has on the wider world. In our report for 2010 we present our approach to sustainable development and the results of our safety, health and environmental performance in an updated format. We hope this provides a better understanding of the broad range of activities we are currently undertaking in order to build a sustainable and successful business.

in managing the earth's precious resources and the health and safety of employees over the course of the year. A number of new initiatives were introduced in 2010. We made a commitment to a new Loss of Containment program and also invested in further health and safety training for both new and existing employees at our High Point site.

Process safety plays a crucial role in our approach for looking after employees. In 2010 senior executives have undergone training in aspects of process safety to ensure they are able to lead by example when visiting our sites around the world.



**Peter Shields**  
Director Safety,  
Health & Environment

Our ethics and values form the building blocks of our sustainable development approach and we believe it is important to explain the actions we are taking to ensure we operate to the highest standards at all times. We recognize that compliance with the increasingly complex laws and regulations governing our activities is non negotiable and it is up to us to deliver on these requirements through the management of an effective compliance program.

Responsible Product Stewardship is central to our activities and 2010 saw us make further progress on REACH and the procedures used for assessing the environmental impact of our products from a performance and sustainability perspective. We have also created a Best Practice Awareness package for one of our products and made it available to supply chain partners and clients.

In this report we provide information on a new team we have put in place to develop a sustainable development strategy for the future. The results of this work will be published in next year's report.

For the first time we have highlighted some of the contributions that our sites around the world are making to their local communities, whether it is providing mentoring support, educational opportunities, fund raising or financial assistance. These activities have been going on for many years as part of our commitment to people but we have now decided to include them in the report.

If you require further information please use the following link on the website to contact us:

<http://www.innospecinc.com/195/195/contact-us.html>

Another key part of our approach going forward is to adopt more accurate ways of measuring the impact our activities have on the environment. A significant development in 2010 has been a new approach to measuring the overall environmental impact of our site operations in terms of emissions of greenhouse gases. An update on our progress in this critical area has been included in the pages of this report.

We hope you find this report interesting and informative. Our objective throughout has been transparency. Innospec is proud of its achievements over the past twelve months. We are making great progress towards building a sustainable business that can make a positive contribution to society for many years to come.

As in previous years this report carries an update on our performance



## CASE STUDY

### product innovation

**fuel filters**  
look as new after  
**30**  
**thousand miles**

The manufacture and supply of products that bring economic and environmental benefits to customers is key to our company's approach to sustainable development.

ECOCLEAN® is a highly innovative multifunctional middle distillate fuel additive that addresses the performance issues surrounding modern engines and new age fuels. It has been well received in the market with fleet operators, in particular, appreciating the way in which ECOCLEAN® dramatically reduces fuel filter plugging and injector fouling. By making ULSD fuels work more efficiently in today's hi-tech engines, ECOCLEAN® is helping to improve fuel economy and reduce harmful emissions. The product is a direct result of our long-term commitment to R&D and our desire to build a portfolio of sustainable products.

# OUR business: driven by technology

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Innospec is a specialty chemicals company with a sales turnover of around \$680m. We employ approximately 850 people and operate from offices in 20 countries around the world. Our specialty chemicals are sold in the Americas, Europe, the Middle East, Africa and Asia-Pacific.

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2010 was a very successful year for Innospec. Our total revenues were up 14%, our gross profit up 15% and our net income reached over \$73m. Today we are a financially strong and stable company with good revenue streams and cash flow. We are committed to delivering excellent shareholder value.

## **Innovation and new technology**

At the heart of all our business operations is our proven technical capability, driven by a high commitment to R&D. Our strategy for growth is to develop the new and improved technologies that will help us increase our market share within our Fuel Specialties and Active Chemicals businesses. As an example in our Fuel Specialties business 35% of our sales in 2010 were derived from products developed in the last five years.

## **Our business units**

### **Fuel Specialties**

Our Fuel Specialties business is the largest dedicated fuel additives business in the world. We develop, manufacture, blend and market a range of specialty chemical products including detergents, cold flow improvers, stabilizers, anti-foulants, lubricity and combustion improvers. Our understanding of customer requirements and our excellent R&D facilities allows us to generate future sales from the in-house development of innovative new products.

The fuel additive market is shaped by a number of factors. The key drivers are fuel use, climate change, energy security, energy pricing, consumer affluence, GDP growth, crude availability and crude quality, as well as improvements in air quality. These factors create demand for better fuel economy and engine technology.

To achieve these objectives requires fuel additives. As many countries look to reduce their dependency on crude oil, the demand for our fuel additives has embraced biofuels, including biodiesel and bioethanol.

Within our Fuel Specialties business we have developed a new Oilfield Specialties business which was launched at the end of 2010. It provides additive technology that extends the capabilities of well operations and helps safely remove the hazardous by-products of crude oil and gas operations. We work closely with major oil companies, independent producers, pipeline companies and service providers to deliver cutting edge products alongside unrivalled field and customer service.

### **Active Chemicals**

Our Active Chemicals business provides a range of specialty chemicals that improve both processes and finished product formulations in the personal care and aroma chemicals markets. We sell specialty surfactants into the high end of the market focusing on components that require complex chemistry and innovative technologies.

These markets tend to be driven by the consumer, who is constantly demanding improved performance of their cleansers, sunscreens and shampoos as well as mild natural products that contain fewer chemical irritants, or indeed anything potentially harmful. Using our innovative ingredients, customers can formulate and manufacture exciting new products that are specifically free of these components.

### **Octane Additives**

Our Octane Additives business is the world's only producer of tetra ethyl lead (TEL). TEL is still used in a small number of countries in motor gasoline and globally in aviation gasoline, but represents less than 10%-15% of our sales. We continue to manage the decrease in the sales as motor gasoline markets move to unleaded gasoline.

Further information on all our businesses can be found on our website. To download a copy of the 2010 full report please go to:

<http://www.innospecinc.com/financial-information/quarterly-earnings.htm>



# CASE STUDY

## compliance training

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**100%**  
completion rate  
in online  
compliance training

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Compliance with the complex laws and regulations that govern our activities is non negotiable. That is why we have invested in the best training methods to ensure our people understand the high professional and ethical standards expected of them.

In 2008, we engaged the services of leading training consultancy Integrity Interactive to deliver our online compliance training and testing. Our modules cover a wide range of ethical issues and can be completed in English, Chinese, French, German, Italian, Spanish, Russian and other languages. To date almost 600 employees from all around the world have been through this program and in 2010 we again achieved a 100% completion rate, with every employee required to take our online compliance training, successfully completing the course.

Further information on our approach to business ethics can be found on our website:

<http://www.innospecinc.com/about-us.html>

# OUR business ethics: living values

## At Innospec we believe that lasting business success is built upon high ethical standards.

By improving our standards of corporate governance we are making an important contribution to developing a sustainable future.

### Operating with Integrity

Full conformity with both the spirit and letter of all laws and regulations is a basic requirement in every country in which the company operates. We, however, have moved beyond this minimum level of compliance and have devoted significant resources to setting the highest contemporary professional and ethical standards.

Our enhanced compliance process began in 2008 when we reviewed our policies and procedures, starting with our Code of Ethics and during 2010 the impact of the forthcoming UK Bribery Act was reviewed to understand how its requirements should be handled within our Foreign Corrupt Practices Act (FCPA) Policy. To underpin our drive towards enhanced compliance, in 2008 we introduced a company-wide training program for all employees. The Code and our FCPA Policy impose a duty on each employee to comply fully with their terms and they impose additional responsibilities - of leadership and ethical conduct - on our Directors and Senior Managers.

### Training

To assist in the delivery and monitoring of this training, in 2008, we engaged the services of Integrity Interactive. They have provided us with online training and testing on a wide range of ethical issues in English, Chinese, French, German, Italian, Spanish, Russian and other languages. In 2010 we again achieved a 100% completion rate for this training by employees required to take it. Integrity Interactive also completes an annual compliance certification of senior members of staff. The original interactive training modules included:

- Code of Ethics plus a 2009 update
- Foreign Corrupt Practices Act (FCPA) Internal and Third Parties
- Antitrust
- Contact with Competitors (US) & Global Competitors (Non US)
- Global Export Controls
- Sarbanes Oxley and Internal Business Controls

In 2010 the following additional course were introduced:

- Records Management
- Prohibited Countries Pinpoint
- Fraud and Business Integrity
- Conflict of Interest

The training modules are released three or four times a year and involve almost 600 of our employees. The annual certification process has been extended to include our third party representatives operating in higher risk markets.

### Compliance

A Compliance Steering Group, consisting of the company's Chief Finance Officer, General Counsel, Chief Compliance Officer and its Head of Business Assurance, oversees and monitors our compliance policies, procedures and controls. In September 2009 we appointed a qualified lawyer as our Chief Compliance Officer and in March 2010 we further strengthened our compliance team with the appointment of a full-time compliance administrator. Our board of directors oversees all compliance issues which are a standing agenda item at its quarterly meetings. The Steering Group has had specific focus in the last year on the UK's Bribery Act, which will be effective from 1st July 2011. As a result our policies and procedures have been further revised and strengthened to ensure that they continue to meet the exacting standards required by the many jurisdictions in which we operate.

In 2010 we concluded the investigations started in 2006 in connection with the United Nations Oil for Food Program (OFF) and other matters under the Foreign Corrupt Practices Act (FCPA). We co-operated fully with the inquiry and reached a final settlement. This episode is now behind us.

### Whistle-blowing hotline

We have a system to encourage whistle-blowers and we undertake to protect such employees from any reprisals and respect their confidentiality. This system includes an external whistle-blowing hotline run by an independent company. Employees throughout the world have been given details of a local telephone

number they can call, anonymously, if they wish to report any fraudulent behaviour, malpractice, or any suspected violation of our ethical or professional standards. In 2010 this system was used twice and the issues raised were satisfactorily resolved.

### Third parties

Not only do we ensure that our own employees are committed to its standards, but we also make certain that companies and individuals with which we have dealings also share our commitment.

Since 2008, we have undertaken a retrospective due diligence appraisal of our existing agents in every country in which we operate. This process was extended to include new distributors, marketing consultants and representatives and continues to be a primary focus of our compliance efforts. The due diligence procedure involves face-to-face interviews and questionnaires in addition to enquiries by local commercial intelligence agents in countries or markets perceived as being high risk in terms of unacceptable compliance practices. Failure to participate in this process results in all dealings with the party concerned being terminated. In 2010 we asked 63 suppliers and agents to take some of our training modules. All these companies went on to achieve 100% compliance and meet our high standards of corporate governance. Monitoring and reviewing our activities, business relationships and procedures on an ongoing basis has created a truly robust compliance framework.

Thanks to this focus on business ethics Innospec today is a strong, growing and successful company that is able to put its principles on sustainable development into practice at both a strategic and operational level.



# OUR VALUES

Innospec's four core business values

## **sustainable development**

Meeting the needs and expectations of our stakeholders

## **customer focus**

The customer is the most important person to the organization

## **innovation**

The profitable management of creativity

## **people**

Our people making the difference makes us successful

We understand that we will all be judged on how well we live up to these principles and we will strive continuously to share best practice across Innospec:

- Through a clear policy sharing responsibility and accountability at all levels, fully involving our employees through good training and communications;
- By demonstrating good practice in ethical behaviour; and
- Through high standards of corporate governance and accountability.

# OUR strategy: our guiding principles

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Our approach to sustainable development is underpinned by the commitments we made many years ago. When we were developing our business we enshrined in our core values the sincerely held belief that business success today must not be achieved at a cost to future generations.

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Our commitments today are as strong as they ever were:

- We are committed to developing innovative products that provide technical solutions for our customers while having due regard for environmental issues in manufacturing, product purpose and product performance.
- We aspire to lead the field in the safety and health of our workforce and partners throughout the whole supply chain.
- We want to make sure that our people and partners act responsibly and in compliance with legislation.
- We are committed to offering our shareholders an attractive investment.
- We look to share our values and performance with our stakeholders.

These principles of sustainable development are inextricably linked to our other core values. Whether we are nurturing our people, managing innovation, focusing on the needs of our customers or supporting the local communities in which we work, our actions are shaped by the desire to make a positive contribution to a more sustainable world.

## Developing a strategy

The way we manage sustainable development continues to evolve each year. Ten years ago our focus was mainly on improving the occupational safety of our employees and ensuring we minimized the impact on the environment caused by the manufacture of our products. Over time we have built on these foundations to create a much more sophisticated approach to

sustainability which encompasses a much wider range of our activities. Today we consider everything from how we manage safety and measure our impact on the environment, through to our involvement with the local communities that serve our sites around the world and the green credentials of our supply chain.

In 2010 we introduced a number of new initiatives designed to take the sustainability of our business to the next level. First and foremost we put together a team of people to develop a coherent worldwide strategy that will provide a road map for our sustainable development over the next ten years. This team is drawn from every business region around the world, with a cross section of background and business disciplines.

We asked our team to review our current approach, consider what our stakeholders are now asking from us and then make recommendations as to how we might address these issues and improve our performance in the future. We will report on this activity more fully in next year's Sustainable Development Report.

Following are some of the other key initiatives that we have put into action in 2010 that will form part of our overall sustainable development strategy in the future.

## Sustainable Procurement

In 2010 we began to develop further some of our Sustainable Procurement practices within our supply chain in order to reduce the impact this has on the environment. For example, by increasing the potential payload of bulk vessels carrying our Cetane Number Improvers from 2500 MT to over 4000 MT per vessel we have reduced the number of sailings required per year. This is benefiting the environment by reducing the quantity of fuel being burnt. In Ellesmere Port we have brought old bulk storage tanks back into service rather than build new tanks for our CNI products. Again this is a simple way to conserve the use of raw materials. The increased capacity of over 4000 MT now gives us the potential to maximize the loading wherever possible.

Further  
information on our values  
can be found on our website:

[http://www.innospecinc.com/  
about-us.html](http://www.innospecinc.com/about-us.html)



# OUR strategy: our guiding principles

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## **Best practice awareness training**

A new training initiative was developed in 2010 for clients and third parties to encourage best practice in handling some of our specialty chemicals throughout the supply chain. The first training package developed was centred on those third parties and clients that handle our Cetane Number Improver (CNI) products. More information on this development can be found in our Product Stewardship update.

## **Measuring environmental data**

As we strive to improve the sustainability of our company the requirement for accurate data on the impact of our activities becomes increasingly important.

In 2009 we adopted a new approach to measuring the carbon footprint of our products. We engaged the services of the internationally recognized experts in climate change, AEA Technology plc, to develop a carbon footprinting method. This method uses a three-stage process that begins by including the contributions made upstream of product production processes as well as the production processes themselves.

In 2010 we took this initiative one step further by initiating the development of a new procedure for assessing the environmental impact of our products. This process will involve collating data on a product's environmental performance and sustainability. The procedure will be further developed and launched in 2011.

## **Focusing on greenhouse gases**

Yet another significant development in 2010 has been to develop our new approach to measuring the overall environmental impact of our site operations. In previous reports we have described the environmental burden that results from our activities in terms of emissions of gases that impact on acidification, the photo-chemical ozone and global warming.

It is now recognized that greenhouse gas emissions have a central profile within the concerns over climate change. For this reason we have decided to change the way we report our environmental burden so that our focus is on measuring greenhouse gas generation.

Needless to say the protocols for the calculation of site greenhouse gas generation have been developing over a number of years. Our approach has always been consistent with the use of factors derived from UK regulators and respected independent research.

As a result of our strategic review we now feel that it is appropriate to move to an approach that reflects a formal and independent Greenhouse Gas (GHG) Protocol such as that developed between the World Resources Institute and the World Business Council for Sustainable Development.

This Protocol provides the accounting framework for the majority of GHG standards and programs in the world from the International Standards Organisation to the Climate Registry as well as many of the GHG inventories prepared by individual companies. The independent experts on climate change AEA have produced guidelines for the UK Department of Energy and Climate Change (DECC) and the Department for Environment and Rural Affairs (DEFRA) based on the GHG Protocol.

In this report for 2010 we have adopted the DEFRA guidelines and applied them to the last five years data so that trends can be shown. Our challenge for the future is to develop this work and further increase our understanding of the wider environmental implications of our manufacturing and blending operations.

Further  
information can be  
found on our website:

[http://www.innospecinc.com/  
about-us.html](http://www.innospecinc.com/about-us.html)



## CASE STUDY

sustainable supply  
chain initiatives

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**75**  
**thousand**  
**km transport**  
**saving per year**

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Transportation forms a significant part of the overall environmental cost of our products. With this in mind we are continually looking at how to bring our manufacturing and supply routes closer together to reduce the cost of shipping and road haulage.

In 2010 we decided to build a new manufacturing facility utilizing redundant equipment for a fuel additive in Ellesmere Port so that we could supply the UK depots of a major petrochemical manufacturer more efficiently and at less cost to the environment. We previously manufactured this product at our manufacturing site in Herne, Germany. The switch is saving 75,000km in transportation costs and associated greenhouse gas emissions per annum.

# OUR people: contributing to our communities

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Putting people first has always been part of our company's philosophy. We recognize the importance of looking after both our employees and the communities where our businesses operate. A sustainable business is one that invests in people in the widest sense.

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For this reason we feel it is important that our Sustainable Development Report is expanded to reflect our long-standing involvement with people and the community. By taking time to collate and share this information we are able to present a better overview of our contribution to sustainable development.

Around the world, our manufacturing sites and office locations are supporting people through community fund raising, education, safety and environmental initiatives. All of these activities are helping to create a better society for people to live in. These activities are an important part of our efforts to become a truly sustainable business.

## **Fund raising**

In 2010 we raised funds and made donations in kind to many charities and good causes.

Our Leuna site in Germany gave the money they would have spent on sending Christmas presents to customers and business partners to a number of local charities instead. One beneficiary was a local German school for children with speaking difficulties. Similarly, our Ellesmere Port site in the UK raised funds for two local hospices by donating money normally spent on sending Christmas cards.

Employees in Vernon, France, gave money to their local fire brigade to help with their fund raising activities while at Widnes, in the UK, we raised money for Macmillan Cancer Support by supporting a 'pink' day event and sending out alternative Christmas cards. Raising funds by taking part in sporting events proved as popular as ever during the year. Employees in

Germany entered an annual charity run organized by the Leuna Lions Club to raise money for a children's cancer charity and a children's summer camp organized by the local fire brigade. In the UK, Widnes Laboratory technicians and operators raised over £2000 for Christies Hospital by taking part in the UK Manchester to Blackpool sponsored bike ride.

At our Denver site in the USA we hosted the annual Fuel Specialties Golf Invitational in aid of the Military Heroes Fund®. The event was well supported by suppliers, vendors and invited guests.

Annual contributions to the High Point, USA Firefighters' Association helped keep various community oriented programs going such as youth athletic groups and the provision of free smoke detectors for the less fortunate.

We also made a difference by donating practical help. Office equipment no longer required at our Vernon site was given to a local charity so they could equip a new office. The site also decided to order its new office stationery from suppliers that supported employment opportunities for the disabled. For many years the Vernon site has fostered strong relationships with local disability groups, especially those providing care for people with learning disabilities.

At Ellesmere Port, in the UK, we offered support to local charities in the form of printing, free meeting room hire and use of site facilities. During the year the site contributed to over 50 charities and community groups.

## **Education**

Taking time to support educational initiatives helps to build a sustainable future. We see it as investing in the future.

In 2010 we encouraged several visits to our Ellesmere Port site from schools and colleges to help youngsters find out more about the chemical industry. Local primary schoolchildren also had the opportunity to visit the site when they were invited to perform at the annual Christmas lunch. In addition, practical work experience was offered to youngsters at our Widnes site in the UK.

In Germany, staff at Herne worked with the police force to help finance an educational booklet on road safety that was aimed at younger children.

At Leuna we also supported a new information centre being built by the site operating company by providing items for display. The information centre is helping to raise awareness in the community about the positive impact of chemistry on all our lives. Also at our Leuna site, several German youngsters were enrolled on the Innospec Leuna apprenticeship program while others took advantage of internships and vacation work.

# CASE STUDY

## environmental support

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**€25 000**  
donated to the  
**German  
Forest  
Protection  
Association**

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Our company is passionate about supporting initiatives that will protect and improve our environment. We have an exclusive agreement in place with the German Schutzgemeinschaft Deutscher Wald (SDW – German Forest Protection Association).

This means that for every litre sold of our ecotherm® future 2, we donate money towards their forestry-related activities. Last year we donated a cheque for €25,000. We have also been involved in creating a greener environment by planting trees at our manufacturing site in Herne.

# OUR people: contributing to our communities

At Vernon in France, we have been actively involved in the GIRV (Vernon industrials group) and its efforts to promote training and employment opportunities in the region. Youngsters were invited to the site as part of a week-long work experience opportunity. Schools in Vernon were nominated as the beneficiaries of the mandatory apprenticeship tax. During the year we also helped local groups who support people with disabilities or learning difficulties by inviting them to improve the landscaping at our Vernon site. This type of initiative can help improve their social integration skills and independence.

In the USA our High Point site, which has active involvement with the Rowan County Chamber of Commerce, helped to promote various community education and leadership initiatives. Attendance at an event organized by the American Society of Quality helps funding of their activities to promote quality and professional development around the world.

### Safety and Environment

At Innospec we put a great deal of time and effort into creating a safe place to work and looking after the environment.

In 2010, we scheduled a Local Liaison Group meeting in Ellesmere Port, in the UK, aimed at encouraging better communications with councillors, local officials, resident committees and other interested parties.

In Germany we were actively involved with Herne City Council's 'Working Group Environmental Affairs' committee. This has involved taking time to explain how we go about managing environmental issues and manufacturing environmentally responsible products. Our Herne site also donated money to support the 'Agency for Protection of the German Forest'.

In the community a great rapport has been established between the Mayor of Herne and Innospec's management team. This has helped to foster excellent relations with local groups and a greater understanding of Innospec's operations. Last year

information leaflets were distributed to the community to explain what we do at the site and what should be done in case of an emergency.

Our Spencer and High Point sites in the USA, along with our Ellesmere Port and Widnes sites in the UK, gave enthusiastic support to our 'Near Miss' safety competition. This initiative raised money every month for a local charity chosen by a winning employee.

In Asia Pacific Innospec's business partner Petron marked Earth Month with several activities which allowed employees at the Subic Blending Plant to get involved in a number of important environmental initiatives. Volunteers cleaned up 500m of shoreline at Kontra Kalat sa Dagat, collecting 90kilos of rubbish. The families of 29 plant personnel participated in an energy saving exercise for an hour, saving around 8Kw hours of energy.

Further information on our locations can be found on our web site:

<http://www.innospecinc.com/about-us/innospec-around-the-world.html>



Over £800 was given to the Prostate Cancer charity by Ellesmere Port employees.



Ellesmere Port supported the work of the South Wirral Branch of the Cheshire Regiment Association to raise money for Help for Heroes.



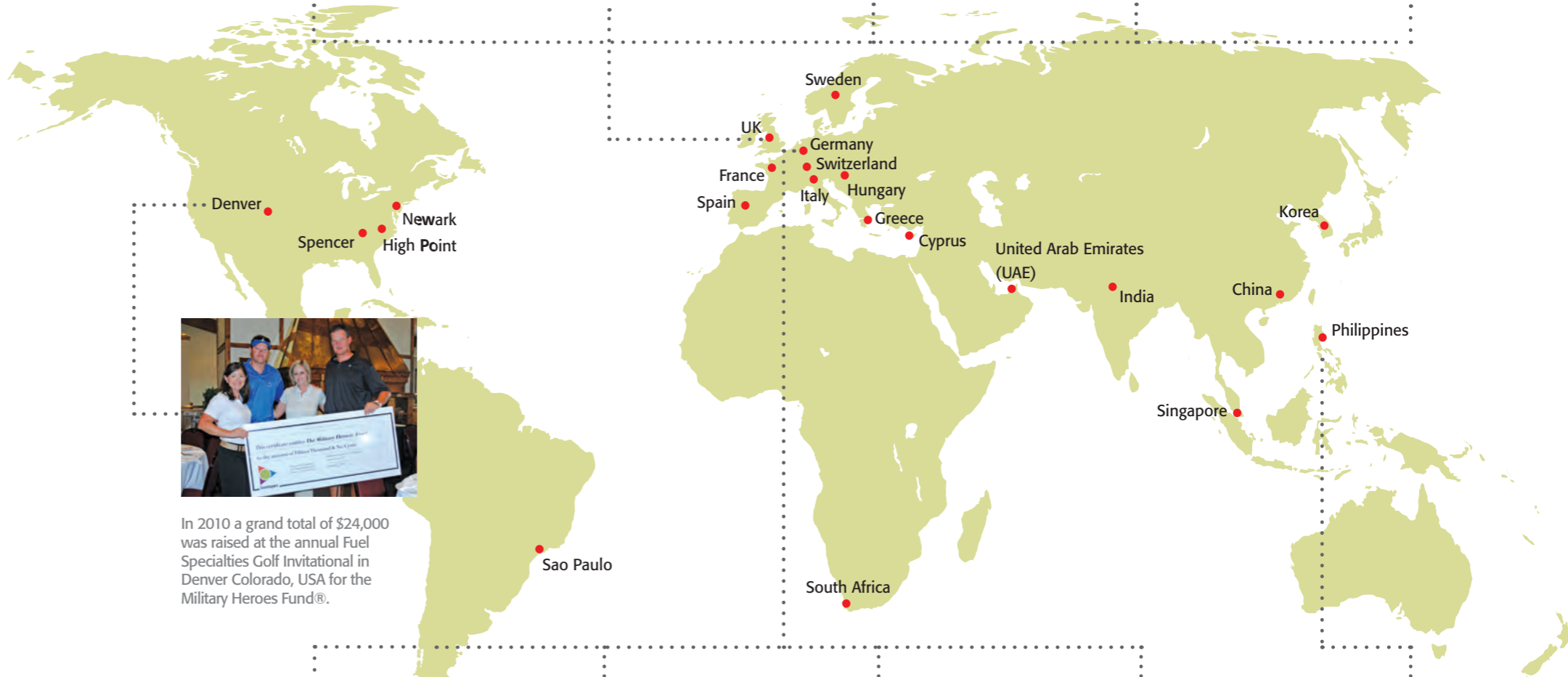
Ellesmere Port employees worked with the Salvation Army to help families over Christmas.



Innospec supported a local 11-12 children's football team.



Ellesmere Port employees and site contractors were challenged to fill shopping trolleys with food and household items to support a local refuge for women and children.



In 2010 a grand total of \$24,000 was raised at the annual Fuel Specialties Golf Invitational in Denver Colorado, USA for the Military Heroes Fund®.



Innospec Leuna is one of the companies contributing items for display for a new visitor information centre on the Leuna chemical site.



In 2010 an open day attracted 4,000 people. The visitors were given the opportunity to tour the various chemical companies based on the Leuna site and ask questions about the products and the management of environmental issues.



Co-operation with local Herne fire brigades has enabled them to practice emergency drills on-site and ensure they are familiar with the location in case of a real emergency.



Christmas trees are donated to a local Herne school in Germany.



Petron, Innospec's business partner, marked Earth Month by helping to clean up 500m of shoreline, collecting 90kilos of rubbish at Kontra Kalat sa Dagat.

# CASE STUDY

## product innovation

**sulfate-free  
& derived from  
80%  
renewable  
raw materials**

Consumers today are demanding personal care products that are more environmentally friendly. They look for products that are not only free from chemicals that might irritate a sensitive skin, but also products that are manufactured from sustainable resources and pose no threat to the environment when washed away.

Our environmentally friendly surfactant Iselux® ticks all these boxes. Iselux® is a high purity surfactant which is free of sulfate and derives 80% of its carbon from renewable raw materials. It is also readily biodegradable.

In 2010 we commissioned a new production facility at our Spencer site in North Carolina, USA which more than doubles our manufacturing capacity for this product.

Further information on our CNI Awareness Training can be found on our website:

[http://www.innospecinc.com/  
about-us/responsible-care.  
html](http://www.innospecinc.com/about-us/responsible-care.html)

# OUR responsible product stewardship

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At Innospec we are focused on minimizing our impact on the environment and the health and safety of those that come into contact with our products. We take this responsibility very seriously.

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Product stewardship is a key part of this manufacturing process. Our measures start with product development and extend across manufacture right through to application. Health, safety and environmental protection are an integral part of the design, manufacture, marketing, distribution, use, recycling and disposal of our products.

Our ongoing Product Stewardship program seeks to ensure that these specialty chemicals are managed and controlled throughout the product lifecycle. In 2010 we made great progress on three important initiatives that are helping us manage our product portfolio in a sustainable way.

## REACH

REACH is a scheme for registering chemicals in Europe. Part of the registration process involves the notification of all downstream uses of a product, along with exposure scenarios to highlight where both humans and the environment may be exposed to the product, and how the risks are managed.

We completed the first phase of pre-registration under REACH in December 2008 and in 2010 we announced that all of our products, which required registration under the second phase, were successfully registered before the deadline.

To achieve this we worked closely with all of our suppliers to ensure they understood their role in REACH and to make sure they also registered all of the products that they sell to us.

Our next objective is to comply with the Globally Harmonized System of Classification and Labeling of Chemicals (GHS). This scheme aims to ensure that information on physical hazards and toxicity from chemicals

is always available in order to help protect people and the environment during the handling, transport and use. We are complying with these new registration requirements as they come on stream around the world.

## Environmental Impact Assessment

In 2010 we initiated the development of a new approach for assessing the environmental impact of a product in its broadest sense. This approach will be rolled out in 2011 under the Ecoclean brand and will look at both the performance of our products and their sustainability.

## Performance

We want to explain the benefits of using our products, especially when they deliver excellent environmental benefits downstream to customers and consumers when compared to alternative chemistries for the same application. For example, many of our fuel additives are designed to improve engine efficiency and so reduce pollution and improve fuel economy.

## Sustainability

Customers and consumers are also becoming increasingly interested in the environmental impact of a product and the use of resources during its manufacture. In 2010 we started the process of assessing the environmental impact of some of our specialty chemicals by looking at some key factors.

First of all we will assess the product's carbon footprint. This tells us the quantity of CO<sub>2</sub> released during the manufacturing process of the product, including the indirect emissions associated with the raw materials we use to make the final product. In 2010 the carbon footprint calculations on two products were completed and two more were nearing completion by the end of the year.

The next stage will be to assess the Renewable Carbon Index. This is calculated as a percentage of the carbon in the product sourced from renewable resources, compared to the total carbon content. It illustrates the degree to which our product's carbon content is sustainably resourced. The final stage will be to assess the biodegradability. In the event that a product is released into the environment, we need to know how long it will remain before it degrades. Armed with these detailed measurements we can take a scientific view on the sustainability of our products. This is a key part of our overall Product Stewardship strategy.

## Best practice training

In 2010 we embarked on a new awareness initiative to encourage best practice when handling one of our specialty chemicals. In particular we looked at how to increase the awareness of best practice amongst our supply chain partners and customers who handle our Cetane Number Improver (CNI) products. This product is particularly unstable when exposed to heat and incorrect storage or pumping may result in plant fires or explosions.

An online training presentation was put together to explain the hazards and safe handling procedures. If precautions are not taken CNI and products containing CNI can pose a risk to both occupational safety and the environment.

Accessing the training module requires the user to login to our website. This means we know exactly who has accessed the awareness program which will allow us to target the customers and partners that have yet to participate. Going forward we will require all our supply chain partners to go through the training as a condition of remaining a partner.



# CASE STUDY

process safety starts at the top

all manufacturing  
**sites in**  
**2011**  
will receive a visit

A new Process Safety Leadership program was introduced in 2010. The program was in response to high profile accidents in other organizations that resulted in senior managers from major companies being criticized over their leadership and involvement in process safety issues.

To ensure our senior executives look carefully at process safety issues when visiting our sites around the world, a number of them have completed a process safety training course.

In 2011 every manufacturing site will receive a Process Safety Leadership visit from a senior executive.



# OUR performance: safety

Innospec sets high standards for process and occupational safety. Our excellent track record in employee safety has been recognized many times and we have received numerous industry awards.

However we recognize that maintaining this level of performance requires continued vigilance by everyone that works for Innospec. This fact was reinforced in December 2010 when we had to report our first Innospec Reportable Loss Time Accident (any work related accident that resulted in an incapacity to work for 3 or more days) by a company employee for 4.5 years. While this was disappointing, the Loss Time Accident Frequency Rate at 0.08 is still below the UK industry average of 0.19.

We also operate an accident, incident and near miss reporting system which is designed to establish the causes, determine appropriate corrective actions and to distribute the learning amongst the rest of the organization. Along with regular auditing and comprehensive annual reviews by senior management, these systems have made a major contribution to Innospec's outstanding safety performance.

In 2010, Innospec's Ellesmere Port and Widnes sites each received a second Gold Safety Award from the Chemical Industry Association. Ellesmere Port also received a fourth Gold Medal Award and Widnes their first Gold Medal Award from the Royal Society for the Prevention of Accidents (RoSPA). In the United States, both our Spencer and High Point sites were awarded Silver Awards from the North Carolina Department of Labor as neither site had a Lost Work Day case in 2010.

## Health and safety training

During 2010 an increased demand for our products at High Point meant that the workforce had to expand rapidly. To facilitate the safe introduction of new personnel we developed and introduced a new training and competency assessment training program. This program also served as a refresher for existing employees. This program will be completed in 2011 and it will be rolled out to our Spencer site later in the year.

## Process safety measures

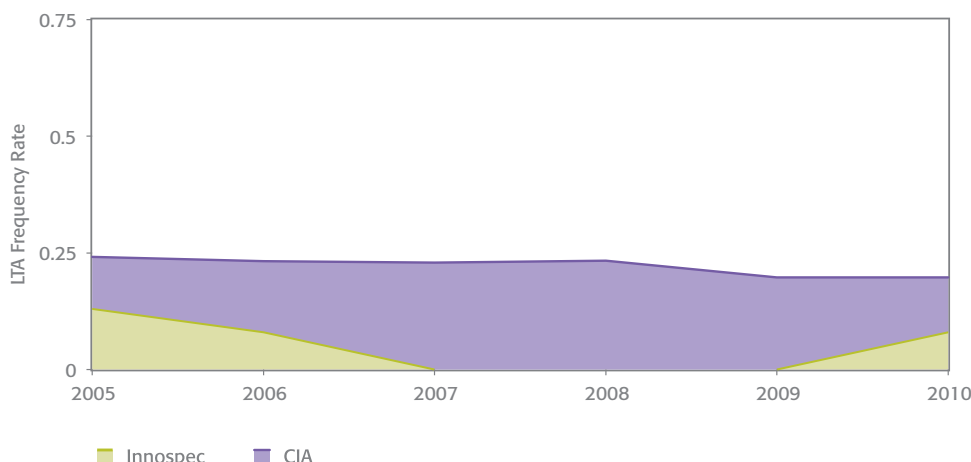
Process safety plays a crucial role in our approach to sustainable development and we have invested in a number of initiatives to ensure we operate to the highest standards at all times. To ensure concerns over process safety issues are easily flagged up at a senior level we have used, since 2009, Process Safety Performance Indicators (PSPIs). This is a simple, transparent system that ensures awareness, competency and control at all levels. The PSPI report is presented at quarterly executive meetings. We also carry out annual audits against our process safety standards.

Another initiative has been the introduction, in 2010, of a new Process Safety Leadership program. This is in response to recent external high profile accidents that resulted in senior managers from major companies being criticized over their leadership and involvement in process safety issues. To ensure our senior executives look carefully at process safety issues when visiting our sites around the world, a number of them have completed a process safety training course.

## Loss of Containment program

In 2010, we launched an initiative aimed at minimizing the number of Loss of Containment events experienced by the company. This has resulted in a commitment over the period 2010 to 2012 to further improve the containment of the process materials that are handled at our manufacturing facilities around the world.

**Employee Reportable Lost Time Accident Frequency Rate  
Innospec vs Industry Average (CIA)**



# CASE STUDY

## saving energy

potential energy  
costs saving of over

**5%**  
per year

Part of being a responsible and sustainable business is to find new and innovative ways to save energy. At our manufacturing site in Leuna, Germany, we found the high-pressure polymerization plant that we use to manufacture ethylene-based products such as PE waxes, ethylene vinyl acetate (EVA) copolymers and diesel

additives, was consuming slightly more steam and electricity than the industry average.

With the help of the market leading technical services consultancy TÜV SÜD Industrie Service, we were able to identify a potential reduction of 5% per year in our energy costs. Data collected on the energy consumption for each stage in our manufacturing process showed we would benefit from the installation of energy-efficient drive systems and motors. We are taking measures to control the volume flow and pressure of the cooling circuit pumps and utilize any excess low-pressure steam. An ultra-modern energy management system will be introduced to systematically reduce our operating costs over the long term.

# OUR performance: environmental

We recognize that our business operations have an impact on the environment. Our manufacturing processes consume energy and generate hazardous waste; they cause emissions to the atmosphere and contribute to global warming. We take our responsibility to monitor our overall environmental impact very seriously.

## Resources

We have company-wide objectives designed to increase our efficient use of energy and water as well as reducing levels of hazardous waste. The charts opposite show Innospec's performance for the last six years [2005-2010] and illustrate our use of resources for every tonne of product we produce.

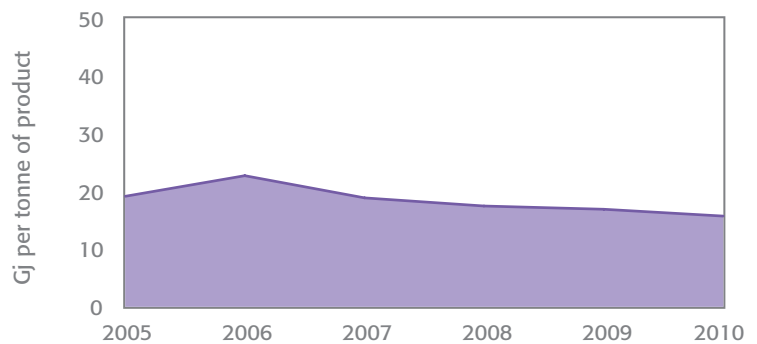
## Summary

In 2010 as a result of our sites' continued focus on energy we used 7% less energy per tonne of product compared to the previous year and 18% less energy per tonne of product compared to 2005.

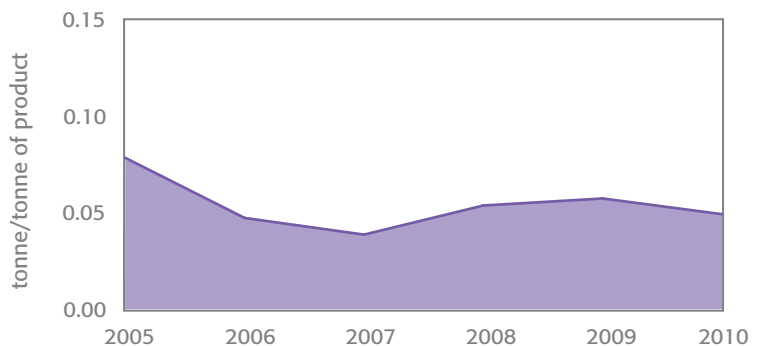
In 2010 water usage per tonne of product increased for the first time since 2005 by a total of 8% compared to 2009. This was the result of changes in our product mix and the adverse effect of prolonged cold spells, which led to burst pipes. As a result, our cold weather precautions are being reviewed and updated. Despite this increase our water usage is still 57% lower than it was in 2005.

Hazardous waste per tonne of product is 14% less than in 2009 and 37% less than in 2005.

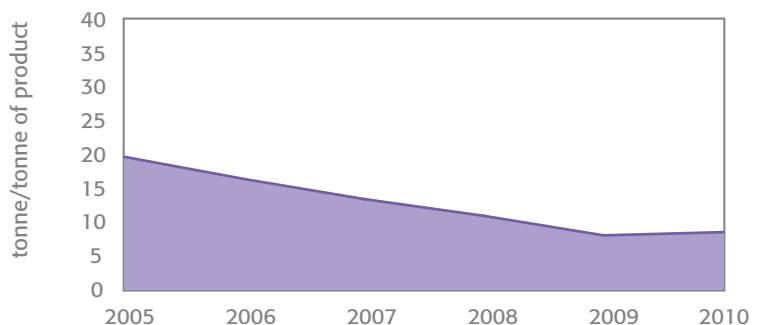
Energy Efficiency



Hazardous Waste



Water Usage



# OUR performance: environmental

## Environmental Burden

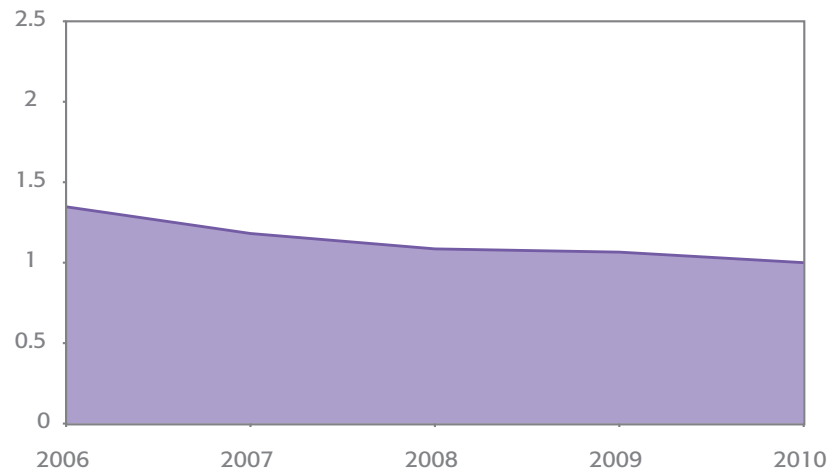
In previous years we have reported on the impact our emissions have on acidification potential, photochemical ozone creation potential and global warming potential.

In 2010 these have fallen by 2%, 11% and 6% from 2009 respectively and 13%, 73% and 18% since 2005.

For the reasons explained earlier it is now more appropriate to focus on climate change and report using the guidelines issued by DEFRA. This approach takes account of the type of fuel used for on-site combustion processes and the source of the electricity used for our on-site processes.

In 2010 the Greenhouse Gas equivalent per tonne of product fell by 6%. Since 2006 while production has increased by 32% the Greenhouse Gas equivalent per tonne of product has fallen by 26%.

## Greenhouse Gas Equivalent



Further information on our approach to Sustainable Development can be found on our web site:

<http://www.innospecinc.com/about-us/sustainable-development.html>

# CASE STUDY

## opening doors

### new centre opened in **2010** for visitors

Opening our doors to the local community is important if we are to make a valid contribution to society at large. We want to share information about our operations and help people understand what we do.

In Leuna we had an opportunity to get involved in a new visitor information centre built by the site operating company Infra Leuna. The centre, which was opened in 2010, shows the development and the history of the massive Leuna chemical park that is home to several major chemical companies. The new visitor centre is used by schools to give youngsters a better understanding of how everyone's lives are touched by chemistry.

A background photograph of two children in a science laboratory. A boy with curly brown hair, wearing a green long-sleeved shirt, is pouring a clear liquid from a white plastic jug into a glass beaker. A girl with blonde hair, wearing a pink jacket, is looking on. In the foreground, there are several glass beakers containing liquids of different colors: yellow, green, and clear. The scene is brightly lit, suggesting a window in the background.

## CASE STUDY

### community partners

# 40

employees can make  
**all the difference**

Every single contribution we make towards supporting and nurturing our local communities helps to build a more sustainable future for all.

At our Vernon manufacturing site in France we demonstrated what can be achieved by just a small number of willing helpers. Although we employ less than 40 people in Vernon, this dedicated group of employees managed to donate both practical and financial support to a number of local causes throughout 2010. The beneficiaries of their inspirational efforts included the local fire brigade, a number of local groups that support those with disabilities or learning difficulties, the local schools and youngsters looking for work experience.

# VALIDATION statement

## Methodology

SKM Enviros has conducted an independent validation of the 2010 Innospec Inc. Sustainable Development (SD) Report to provide assurance on the completeness, transparency and accuracy of the report, and to review systems for data collection. The validation process involved interviews with staff responsible for data collection and reporting at both the central level and from a selection of representative sites across Innospec's manufacturing operations.

## Conclusion

Innospec's continued commitment to SD is demonstrated through the establishment of a SD Network in 2010. This Network will help Innospec develop and implement a worldwide SD strategy that is focused and co-ordinated.

This year's increased report coverage, to include dedicated community and product stewardship sections, and supporting SD case studies, is welcomed, and demonstrates Innospec's continued commitment to ensuring completeness of their SD reporting.

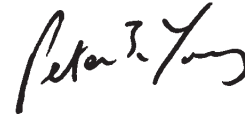
While the report expansion is commendable and provides further context in which to view Innospec's SD practices, continued future development and analysis is anticipated to ensure completeness of the report coverage. Over the next year the SD Network is encouraged to examine additional and appropriate ways to drive future content, including materiality, the further development and use of improvement targets and indicators. This would not only further develop completeness of report coverage but also improve the inclusivity and responsiveness of the SD report, ensuring customer and stakeholder needs are met.

We have been able to obtain assurance in terms of the SD performance data. We particularly welcome the expanded content on business ethics, community work and the reporting on overall company level environmental performance, as opposed to individual site performance, against a set number of environmental indicators. There remains a need to improve the accuracy of reported data and suitable next steps might include:

All sites to be encouraged to report their environmental data on AircWeb, the internal reporting system which is available to all sites; Regular assurance and auditing of figures internally to ensure there is a recorded and accessible audit trail; and Development of internal guidelines setting out methodology and responsibilities for SD data collection.

Innospec may also benefit from giving consideration to assisting comparison and benchmarking of year on year performance data.

Within the scope of the validation process we consider that the reported activities and performance data represent an accurate record of Innospec's SD performance during the reported period.



Peter J Young  
Strategy Director

ENCLAVE WRIGHT MENZ  
**SKM ENVIROS**



1999



2000



2001



2002



2003



2004



2005



2006



2007



2008



2009



2010



2010 SUSTAINABLE DEVELOPMENT REPORT



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