



Sustainable Development

Report 2011

innospec 
specialty chemicals

Every year we publish a Sustainable Development report on the progress we have made towards building a sustainable business. This is important if we are to demonstrate how we take responsibility for what we do and how it impacts on the world around us. This report explains the size and nature of our business and the financial strength of our company. We want people to understand what we do and the markets we serve.



Introduction

All our activities are underpinned by our core values and the high standards of ethical behavior we expect from our employees. To build a sustainable business it is important to put policies in place that reinforce these behaviors.

This report outlines the measures we have taken to uphold our high standards and the training we have put in place to ensure our people operate with integrity at all times. Our objective is always to reach beyond compliance and do more than is required by law.

Over the last five years we have made significant changes to the way we run our business. Today we are almost unrecognizable from the business we were back then. Every year we build on what has gone before in a process of continuous improvement. If we look back we can see just how far we have come in a relatively short space of time. We have continued to invest significant resources in our enhanced compliance program. Our progress over the last seven years on reducing water and energy consumption has been no less impressive. We have an outstanding safety record and have won numerous safety awards.

In 2011 we made further progress on developing an all-embracing sustainable development strategy that will guide our activities over the next five years. We set performance targets and objectives each year that cascade down from the company to the individual. The case study on page 22 illustrates the value of our engagement with our people.

Our Sustainable Development Network held meetings to share ideas and discuss progress across our locations. A key initiative has been our decision to trial the supply chain management

solution Sedex - see page 13. If successful we will use it to provide information to clients on our supply chain and to acquire information from our suppliers.

Our people continue to drive our business forward and we recognize the importance of making sure our training, career development, reward and recognition programs are properly resourced. Communication with our employees is also central to building a motivated workforce and we continue to invest in a multi-lingual internal communications strategy. In 2011 our people once again made important contributions to their local communities. This ranged from providing mentoring support and educational opportunities to fundraising for good causes. This reports highlights these achievements.

Once again our business is setting high standards in health and safety. We have been successful at reducing the number of Loss of Containment incidents with significant potential and implementing our Process Safety Leadership program. Our safety record remains in excellent shape. In Herne, Germany our site reached the milestone of one million man-hours without an Innospec Reportable Lost Time Accident and in Widnes, UK we clocked up 10 years without an Innospec Reportable Lost Time Accident.

Health and safety training plays an important role in maintaining our safety record. For the first time in 2011 we introduced behavioral safety training. This will be rolled out to all our sites in 2012. Information on the Ellesmere Port and Widnes program can be found in the case study on page 18.

The changes we introduced in 2010 to improve the way we measure our overall environmental burden are now firmly established.



As previously, we report using the guidelines set out by the UK's Department for Environment and Rural Affairs (DEFRA). This is based on the Greenhouse Gas (GHG) Protocol. Of particular note in 2011 was the performance of our Widnes site which managed to achieve an impressive 15% reduction in energy/tonne of product manufactured. Our Vernon site managed a 71% reduction in water used/tonne of product.

During the year we made progress towards our objective of introducing an externally verified environmental management system at each of our sites. Indeed our Leuna, Germany site gained accreditation for the energy management standard EN16001 making it our first site to gain all four quality accreditations - ISO 9001, ISO 14001, OHSAS18001 and EN16001.

This year we took further steps towards developing our ECOCLEAN® brand which will be formally launched in 2012. Going forward this will help our customers to have a greater understanding of the environmental impact of the products they buy. This is all part of our active Product Stewardship program that ensures our specialty chemicals are managed and controlled throughout the product lifecycle.

An opportunity to get involved with the United Nations Environment Program (UNEP) in a major remediation project in Sierra Leone reinforced the importance of responsible Product Stewardship. More details on this project can be found on page 27.

Reflecting on our achievements in 2011 we have a great deal to be proud of. Significant steps have once again been taken towards building a sustainable business. Nevertheless we are not complacent about the future. Within the report we have highlighted the progress made and indicated the direction being taken on this journey.

We hope you find our 2011 Sustainable Development report interesting and informative.



Patrick S Williams
President & Chief Executive Officer



Peter Shields
Director Safety, Health & Environment

WORKING WITH OUR CUSTOMERS

As one of the largest dedicated fuel additives business in the world, we have a reputation for developing innovative solutions to meet the changing needs of our customers.

We work closely with the major oil companies, Original Equipment Manufacturers (OEMs) and leading industry bodies to create the very best products for different applications.

This market understanding led to the launch of a number of exciting new products in 2011. One of these was POWERGUARD™, an additive that addresses the performance issues around High Speed Direct Injection (HSDI) engines and modern fuels.

Treating a fuel with POWERGUARD™ prevents the build up of deposits in the engine's fuel injection system. These deposits can form around the injector valve seat and nozzle as well as the in the fuel filter, adversely impacting engine efficiency.

POWERGUARD™ helps to deliver enhanced performance, improved fuel economy and reduced emissions in a single additive package.

It is a perfect example of how our innovative approach to product development, allied to our market understanding and excellent customer relationships, can lead to solutions that are focused on real world problems.

Our business is focused on developing the new and improved technologies that will increase our market share and deliver excellent shareholder value. This innovative approach has created a financially strong and stable company with good revenue streams and strong cash flow. More importantly we have created a sustainable business that is able to make a positive contribution to our society for many years to come.



Creating a sustainable business

Innospec is a dynamic and sustainable specialty chemicals company driven by strong values, innovation and customer focus. Our sales turnover is \$774m and we employ approximately 850 people around the world.

Our corporate head office is based in Littleton, Colorado, USA. We have regional offices in the USA, Europe, Africa, South America and Asia with manufacturing sites in the USA, UK, France and Germany. This is supported by a global network of offices, testing laboratories as well as Research and Technology facilities. In total we have bases in 20 countries and our products are sold throughout the Americas, Europe, Middle East, Africa and Asia-Pacific.

Although our business is split into three distinct units our people share a common passion for innovation and delivering excellent customer service. We listen carefully to our customers and work in partnership to develop solutions that anticipate their future requirements.

We have an in-depth understanding of our core markets and the technical expertise necessary to be a market leader in the research and development of exciting new products. Our extensive manufacturing resources and flexible supply chain provide us with the worldwide reach necessary to respond quickly to changing market demands and new opportunities.

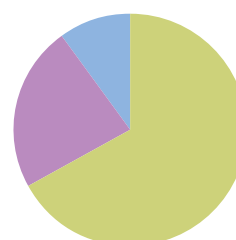
Our recent financial performance is illustrated in the charts opposite.

Overall sales turnover up **13%** to **\$774m** in 2011 with net income of \$48.9m

13%
to **\$774m**

Overall gross profit for 2011 up nearly **6%** to **\$226.4m**

6%
to **\$226.4m**



Split of sales turnover between business units in 2011

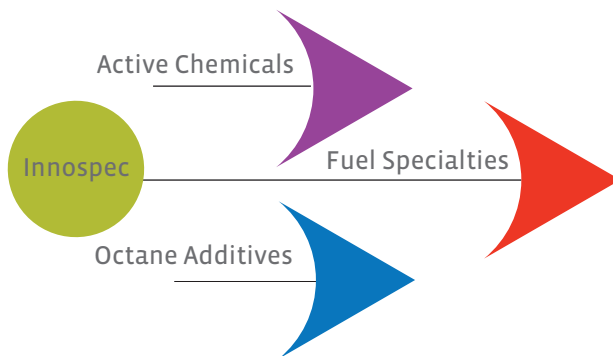
Fuel Specialties	67%
Active Chemicals	23%
Octane Additives	10%



Our business units

Innospec divides its business into three segments for management and reporting purposes:

Fuel Specialties, Active Chemicals and Octane Additives. The Fuel Specialties and Active Chemicals segments operate in markets where we actively seek growth opportunities but their end customers are different. The Octane Additives competes with marketers of products that provide alternative ways of enhancing octane performance in automotive gasoline.



Overall increase in sales for Fuel Specialties

14%
to \$521m

Fuel Specialties sales surpass \$500m for the first time in 2011 **rising 14 percent to \$521m**

Fuel Specialties



Our Fuel Specialties business is one of the largest dedicated fuel additives business in the world. We work closely with the major oil companies, Original Equipment Manufacturers

(OEMs) and leading industry bodies to find the very best fuel treatments for different applications. From cars, trucks and off road equipment through to ships, planes, power generation boilers and light heating oil systems, we have the understanding that only comes with many years experience.

Our product range includes detergents, cold flow improvers, stabilizers, antifoulants, lubricity and combustion improvers. One of the newest additions to our portfolio is a highly innovative multifunctional middle distillate fuel additive that addresses the performance issues surrounding modern engines and biofuels. It has been well received in the market. Fleet operators, in particular, appreciate the way in which our high-pressure fuel injector antifoulant dramatically reduces fuel filter plugging and injector fouling. By making Ultra Low Sulfur Diesel (ULSD) fuels work more efficiently in today's hi-tech engines, we are helping to improve fuel economy and reduce harmful emissions.

With many countries looking to reduce their dependency on crude oil, we have also extended our range of fuel additives in recent years to embrace biofuels, including biodiesel and bioethanol.

Within Fuel Specialties is our Oilfield Specialties business. Launched at the end of 2010, it provides additive technology that extends the capabilities of well operations and helps remove the hazardous by-products of crude oil and gas operations. Our TORRENT® range includes biocides, corrosion inhibitors and drag reducing agents as well as downhole antifoulants, pour point depressants, hydrogen sulfide and mercaptan scavengers. We work closely with major oil companies, independent producers, pipeline companies and service providers to deliver cutting edge products combined with excellent field and customer service.

Overall increase in sales for Active Chemicals

16%
to \$177m

Active Chemicals sales in 2011
increased 16 percent to \$177m

Active Chemicals



Our expanding Active Chemicals business manufactures high quality specialty chemicals for the personal care, aroma chemicals and polymers markets. By using our products,

we can help customers improve their processes and finished product formulations. These markets tend to be driven by the consumer, who is constantly demanding improved performance from their cleansers, sunscreens and shampoos. People want 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. The introduction in 2010, of our product Iselux® to the personal care market is one such example. This unique, mild, sulfate-free surfactant enables the creation of crystal clear liquid personal care products that are exceptionally luxurious and gentle on the skin. Manufactured from sustainable and readily biodegradable resources, Iselux® poses no significant threat to the environment when washed away. In 2010 we built a new production facility at our Spencer site in North Carolina, USA in order to double our manufacturing capacity for this ground breaking new product.

Our expertise in fragrances is also used to create the unique smell of everyday products. Smell is a key factor in determining success with the end-user. One of our key-technologies is Lilestralis Pure® - lily of the valley. This is used in fragrances for fabric softeners, soaps and other household and personal care products all over the world.

Overall increase in sales for Octane Additives

5%
to \$76m

Octane Additive sales in 2011
increased 5 percent to \$76m

Octane Additives



We believe 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 today it represents less than 10% of our sales.

With our extensive market knowledge, built up over many years, we are in a great position to help developing countries make the transition to unleaded fuel smoothly. We ensure the continuity of tetra ethyl lead (TEL) supply during their phase-out period and provide comprehensive advice and guidance on how best to manage the changeover.

Once a customer's lead alkyls blending plant is no longer required, we offer a complete remediation service to clean up redundant sites and lead contaminated facilities. This includes safety training, technical and engineering support. Last year we were heavily involved with cleaning up toxic waste from a former oil refinery site in Sierra Leone. More details on this project can be found under Product Stewardship at the end of this report.

CONSISTENT STANDARDS WORLDWIDE

Our business is expanding all the time. In 2011 we opened new offices in Brazil and Russia to make it easier for our customers to place orders locally while still benefiting from dealing with a global business.

This is all part of our strategy to maximize market opportunities by getting close to customers, understanding their specific needs and servicing these on the ground. Brazil, Russia and the former Soviet states were obvious choices given the level of oil production and refining that takes place in the area.

Like all our operations, we conduct business in Brazil and Russia in conformance with the country's regulatory and legislative framework. On top of this we overlay our own high ethical standards. Compliance with our high standards of corporate governance is mandatory for all our sites, irrespective of location.



Our business is built on the highest professional and ethical standards. We have invested heavily in compliance training and procedures to ensure our people understand what is expected of them. Conformity with the letter of the law is not enough. Our aim is always to reach beyond compliance. This approach is helping to create a sustainable business that can operate with integrity at all times.



Operating with integrity

In every country in which we operate, there are complex laws governing our activities. Every business transaction we undertake must be conducted in compliance with the US Foreign Corrupt Practices Act (FCPA), the UK Bribery Act and local anti-bribery laws. Conformity with these regulations is a basic requirement and compliance is non-negotiable.

However, we feel simply following these minimum requirements is not enough for a company that is committed to building a sustainable business on strong values. So we strive continuously to develop best practice in ethical behavior by establishing the highest standards of corporate governance and accountability. We want to lead by example and fully involve our people through good training and communications. That is why we have invested significant resources into going beyond compliance.

Policies and procedures

In our Code of Ethics and Anti-Corruption Policy we make it clear that our directors, officers and employees must adhere to our strict guidelines as a condition of employment. We also expect our senior managers to demonstrate leadership on ethical matters and be alert to instances of unethical or illegal conduct.

In 2008 we introduced our Enhanced Compliance Program and regular reviews have been held ever since to look at our existing policies and procedures and consider at an early stage any forthcoming legislation. For example, we have put rigorous procedures in place for developing relationships with third parties. In 2010 we assessed the impact of the UK Bribery Act to understand how its requirements should be handled. When this came into force in July 2011 we incorporated it into our Anti-Corruption Policy.

Training

Since 2008 our business ethics have been reinforced through a company-wide training program. This has now been expanded to cover third parties. This training is a key element of our Enhanced Compliance Program. It is designed to make sure that all employees understand what is expected of them under both our Code of Ethics and Anti-Corruption Policy. To help us deliver and monitor the program we use the services of SAI Global (formerly Integrity Interactive). They provide us with online training and testing on a wide range of ethical issues in English, Chinese, French, German, Italian, Portuguese and Russian. FCPA training is also translated into other languages such as Spanish, Turkish and Vietnamese for specific third parties.

For all employees that were required to take this training and not on long term illness or maternity leave in 2011 we achieved a 100% completion rate. SAI Global also undertake an annual compliance certification for all staff and specified third parties that have been trained throughout the year.

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



In 2011 we added the following courses:

- Intellectual Property and Competitive Intelligence
- Trade Compliance

Our training modules are released between two to four times a year and involve in excess of 500 of our employees in addition to over 200 third parties. The annual certification process has been extended to include all agents and our third party representatives operating in higher risk markets.

Compliance management

Responsibility for overseeing and monitoring our compliance policies, procedures and controls falls to our Compliance Steering Group chaired by the VP General Counsel and Chief Compliance Officer. Our Board of Directors oversees all compliance issues. At each quarterly Board meeting compliance is tabled as a standing agenda item.

Whistle-blowing hotline

Our whistle-blowing hotline encourages employees to report fraudulent behavior, malpractice, or any suspected violation of our ethical or professional standards. Run by an independent company, the system is set up to respect a person's confidentiality and protect them from any reprisals. Employees throughout the world have been given details of a local telephone number they can call, anonymously, if they wish to report anything. In 2011 this system was used once and the issue raised was satisfactorily resolved.

Third party checks

It is not enough to ensure our own employees are committed to our prescribed standards. We also make certain that the companies and individuals that we have dealings with also share our values.

In 2008 we commenced a retrospective due diligence appraisal of our existing agents in every country in which we operate. This process was extended to include distributors, marketing consultants and representatives. This now forms procedures that involve 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 to be terminated. In 2011 we asked representatives from a further 44 suppliers, distributors and agents to take some of our training modules. When third parties do not complete the required training in a reasonable time, we put business with them on hold. Due to sustained and unreasonable delays in completing online training and other due diligence tasks, the relationship with one agency was terminated in 2011.

We continue to pursue 100% compliance in meeting our high standards of corporate governance and we will not tolerate any exceptions or delays. Monitoring and reviewing our activities, business relationships and procedures continually have created a robust compliance framework.

Our focus on business ethics has allowed Innospec to become 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.

GLOBAL TRAINING MODULES

Our business has locations all over the world and our people speak many languages. Training plays a critical role in establishing consistent standards of ethical behavior across all our operations and it reinforces our shared values.

To ensure this training is effective we take a multi-lingual approach and wherever possible deliver the course modules to people in their local language. This way information can be communicated more precisely and it feels more relevant to the individual. Our system ensures everyone in our organization is provided with exactly the same level of training support no matter where they are located.

Our business is committed to continuous improvement in sustainable development performance. Each year we introduce new ideas and initiatives that address specific issues so we can take our sustainability to the next level. At the same time we are working to deliver a company-wide sustainable development strategy.



Evolving a sustainable strategy

This is focusing our thoughts on how best to meet the changing requirements of our stakeholders in the years ahead. Guiding all our decisions are the core values which include the principles of sustainable development that sit at the heart of our business.

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

These commitments 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.

Targets and objectives

Each year our Executive team sets company-wide objectives for occupational safety, process safety and sustainable development. These objectives take into account our company performance along with feedback from our different business operations and input from internal and external sources.

Once set, these objectives are cascaded down to our individual business and sites influencing their own set of targets. These are then communicated down the line management chain where they are built into the personal objectives of individuals. Performance against these personal objectives is reviewed as part of the annual reviews.

Sustainable Development Network

Our Sustainable Development Network comprises a team of twelve people drawn from every business region around the world, with a cross section of background and business disciplines.

The team is currently developing a coherent worldwide strategy that will provide a road map for our sustainable development over the next five to ten years. Their remit covers 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 2011 they met on several occasions to share ideas and discuss the progress being made at our different locations. Together the team has looked at what actions are being taken today and what could be done in the future to make our business more sustainable.



Topics discussed have included new investment in energy saving projects, programs to reduce or eliminate waste, the training and development of people, product development and sustainable procurement.

The team looked at how we develop new products and the time allocated to thinking about their sustainability. Key issues include energy use, waste generation and the source and sustainability of raw materials. By focusing on the principles of sustainability during research and development we will be better placed to create innovative new products that offer environmental benefits alongside market leading performance.

Our Sustainable Development Network continues to evolve our strategy so that it can meet the needs of all our stakeholders. We recognize that this is an ongoing process

and the importance of continuing our work to understand what different stakeholder groups require.

Sustainable Procurement

In 2010 we took steps to introduce some new Sustainable Procurement practices within our supply chain in order to reduce the impact this has on the environment. During 2011 we made another key initiative to sign up to the sustainable supply chain database system run by Sedex. This is a not for profit global membership organization dedicated to driving improvements in responsible and ethical business practices in global supply chains. It will enable our clients to run reports on a variety of ethical supply chain data and track progress on key issues. The system will be trialled in 2012 and if we decide it is beneficial we will roll it out across the company as a whole.

USING SUSTAINABLE MATERIALS

A key ingredient in our Iselux® range of personal care products can be derived from palm oil. We all know that irresponsible farming of this important natural resource has led to deforestation in parts of Malaysia and Indonesia. That is why we will only source our ingredient from suppliers that obtain their palm oil from plantations certified by the Roundtable on Sustainable Palm Oil (RSPO). This influential alliance of growers, traders, retailers and other stakeholders in the supply chain is setting new standards on how palms are planted and harvested.



DEVELOPING THE SKILLS OF THE FUTURE

As a company we believe in providing our people with the opportunity to fulfil their potential through training and education. It matters to us that our people are all highly skilled and have the right knowledge to pursue their chosen career.

This approach to personal development starts as soon as someone joins our company. At our Leuna site in Germany we run a very successful apprenticeship scheme for youngsters aged 16-19 who want to become Chemical Operators.

This requires people to complete an intensive three and a half year training program that combines classroom study with practical work. In the final year the apprentices sit theory examinations and they must complete a number of practical assessments, which may include a complex task like fixing a polymer reaction. Our apprenticeship has proved a great success and gives us the confidence that important skills and knowledge are continuously being passed down to the next generation.

At our Herne site we currently have a number of Chemical Operators and Laboratory Technicians who have chosen to study for a Master Chemical Operators qualification. This takes three years of intensive study and is equivalent to a degree.

Our business is built on the hard work, skills and expertise of our people. Whether working individually or in teams we depend on each individual if we are to create a successful and sustainable business. Through our people we reach out into our communities and contribute to society at large.



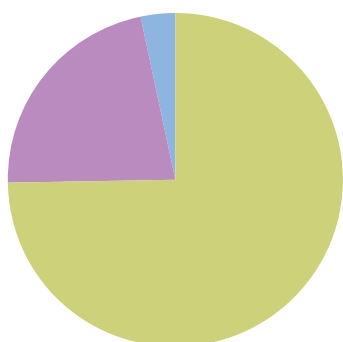
Investing in people

To achieve our corporate and sustainable development objectives it is important that we look after, train, develop and communicate effectively with our people. A sustainable business is one that invests in people in the widest sense.

Our Global Human Resources policies reinforce our company's vision, values, culture and sustainable development strategy. These policies cover employee development, resources, rewards, anti-harassment, diversity and equal opportunities. Our policies apply to every country where we operate. We use them to develop the local policies and practices that reflect local laws and customs.

The diversity of skills and creativity provided by our geographical and cultural spread is making an important contribution to the success of our business. Innospec employs approximately 850 people around the world and we have offices in 20 countries spread across every continent.

Employee Numbers



Europe, Middle East & Africa	75%
USA	22%
Asia Pacific	3%

We are committed to establishing Innospec as a great company to work for. In the right environment people develop to their full potential and contribute more to business performance. We aim to provide a positive work experience where people feel enthusiastic about their job and confident in their ability to deliver. We want our people to feel valued and properly rewarded for their efforts.

To attract and retain the best employees and encourage them to deliver superior performance for our company, we have invested in an excellent reward and recognition program.

Incentive schemes like Share Options are also used to encourage people to stay with us. Every employee who has worked for Innospec for one year receives the option of 100 shares which vest in three years.

Opportunities for promotion within the company, together with our excellent training and career development programs, ensure many of our employees remain with us for many years and enjoy long and satisfying careers with Innospec.

Development and training

Our policies provide a framework for the way people's performance and development is managed throughout our organization. We are committed to identifying and exploiting opportunities for employee development at all levels.

We set time aside to discuss career progression and the acquisition of new skills on a one-to-one basis. We always try to promote people from within our organization if appropriate but we also recognize the value of high caliber individuals from outside who can bring new ideas and expertise into our business.

ENCOURAGING YOUNG SCIENTISTS THROUGH INTERNSHIPS

To encourage motivated young scientists to find out more about the world of work and a career in the specialty chemicals industry we offer a number of internships. In the United States we provide an opportunity for students to work in our cutting edge laboratories at our Delaware Research and Development facility. Here students learn about how we test new technologies for our customers and how we are developing the next generation of high performance fuel additives.

Our interns are drawn from colleges and universities and we pay them for the hours they spend with us. Last year we offered 21 internships in the US. Many students go on to pursue successful careers in science.



Our successful internship program in the UK and US and our apprenticeship schemes in Herne and Leuna in Germany, ensures there is never a shortage of highly motivated and knowledgeable young recruits looking to start their careers by joining Innospec.

Internal communication

Our workforce speaks many languages and we make a point of communicating with people in their native tongue wherever possible. Through effective communication we are better able to engage with our people. This helps us maintain a highly motivated workforce that is able to contribute ideas that help the business operate more efficiently.

For many years we have used a variety of internal communication tools. These range from announcements on the company's intranet through to internal bulletins and face-to-face briefings. Our network of Local Communicators plays a vital role in distributing our communications and ensuring our internal procedures are followed correctly. Important communications like this annual Sustainable Development Report are also available for our employees to view or download via our website.

Community work

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

In 2011 our people were involved in a wide range of activities. At our Littleton, Spencer and High Point sites in the USA, we raised money for a children's hospice, a burn centre, an animal shelter, and the Military Heroes Fund®. Support was also given to the local scouts and little league baseball teams.

At Ellesmere Port in the UK our people worked with over 60 local charities and support groups. In addition to fundraising there was practical help with providing free printing for items like charity newsletters and posters. The Salvation Army received a large donation of household items, food, toys and clothing thanks to a Shopping Trolley Event.

Taking time to support educational initiatives and develop good community relations was also high on the agenda at Ellesmere Port. Local primary schoolchildren visited the site when they were invited to perform at the annual Christmas lunch. We also supported the opening of a local park that provides youngsters with a safe environment to ride their motorbikes and quad bikes.

In Widnes in the UK we raised money for breast cancer awareness and a local hospice and made regular donations to local charities as part of our Near Miss Award initiative. This was set up to encourage employees to develop better safety, health and environmental practices. We also reached out to the community by offering a number of successful work placements in 2011.

Our sites in Germany also rose to the challenge of raising funds for good causes. In Leuna staff took part in charity runs and a triathlon. In Herne we donated money to the 'Agency for Protection of the German Forest' and worked with the police force to finance an educational booklet on road safety aimed at young children.

At our site in Vernon, France, we have fostered strong relationships with local disability groups, especially those providing care for people with learning disabilities. In 2011 we supported an organization providing employment opportunities for the disabled. We also made donations to the Vernon fire brigade and organized a major food collection for a local charity.

TAKING SAFETY TO THE NEXT LEVEL

We are committed to the continuous improvement of our health and safety performance. For many years we have refined our systems and processes to ensure they meet the very highest standards. As a result we have won numerous awards for our safety record.

Getting to the next level of performance requires a deeper understanding of how the behavior of each individual contributes to the safety culture of the whole. Understanding errors, mistakes or lapses and how they combine with other workplace factors is key to improving health and safety management.

To raise awareness of the issues involved we introduced a new behavioral safety training program at our Ellesmere Port and Widnes sites in 2011. Central to the success of the program was getting 'buy-in' from everyone on the sites. This included our people from all levels of our business; the Executive team, Site Directors, senior line managers, operators, maintenance, R&T staff and office based staff.

The focus of the training sessions was to get people to look at what they do and understand how good safety behaviors can help keep others safe as well as oneself. This applies just as much to managers making operational decisions as it does to operators taking responsibility for personal safety on site. Everyone has a contribution to establishing a guardian culture where people look out for others. The training program was a great success and will now be rolled out across our sites in 2012.



Our business is committed to achieving the highest standards of process and occupational safety. We take our responsibilities for the safety of our people and our sites very seriously. In order to monitor our overall performance we collate incident data coming out of our investigations of accidents and near miss incidents.



Setting high standards

We then analyze what can be learnt from past events and if required put new enhanced global procedures in place. This is all part of our comprehensive health and safety management.

Maintaining a high level of health and safety performance is fundamental to the success of our business. We place a great deal of emphasis on establishing good working practices and training our people to the highest standards.

Each year we set out our objectives for occupational safety, process safety and sustainable development. We issue guidance notes and safety standards that cover all aspects of our operations whether we are manufacturing a new product, maintaining our plant and equipment, communicating with employees or investigating offsite incidents involving Innospec products.

Through our efforts over many years we have established a culture of safety within our organization that is reflected in our low accident statistics and the many awards we receive in recognition of our safety achievements. Along with regular auditing and reviews by senior management, including the executive team, our management systems have made a major contribution to Innospec's outstanding safety performance.

Process Safety

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 use Process Safety Performance Indicators (PSPIs). These key performance indicators monitor the programs and actions targeted at

reducing process safety incidents and are a simple, transparent system that is used at local and executive level to drive performance. The PSPI report is presented at quarterly executive meetings. We also carry out audits against our process safety standards.

In line with general concerns within our industry last year we asked our sites through our objectives to have a particular focus in 2011 on Loss of Containment issues. A significant investment was put aside to ensure that our sites were able to keep pace with developing best practice. As a result incidents classed as having a 'serious potential' dropped by 27% and there were no incidents classed as having a 'very serious potential'. We are committed to improving the containment of the process materials that are handled at our manufacturing facilities around the world.

To further improve process safety we decided that all new products and any that had not been manufactured for three years had to go through enhanced authorization procedures before they could be produced.

In 2010 we began a new Process Safety Leadership program to train those members of the executive team not directly involved in manufacturing on aspects of process safety. This training covered the business case for effective Process Safety management and how Process Safety Leadership could be demonstrated through site visits. The training also included an understanding of the nature of major accidents and the key elements of Process Safety Management Systems.

To date the executive team members responsible for Finance, Human Resources, General Counsel, Regulatory Affairs and Business Operations have all received this training. In 2011 we had a corporate objective that all sites

Our safety training and management systems form an important part of day-to-day life at Innospec. We invest in regular training to make sure our people share the same commitment to safety across all our sites. Through careful attention to detail our accident record has been better than the industry average for many years.

would receive at least one visit by a trained member of our executive team. All but one site was visited which was postponed until 2012 due to illness.

We had a 2011 objective to carry out reviews of our preventative maintenance programs. In Ellesmere Port the site preventative maintenance program was benchmarked using an external specialist company. This process showed that it was at the top end of best practice. Not content to stand still, this exercise has further encouraged us to enhance our global standards on preventative maintenance. This activity will commence in 2012.

Lost Time Accidents

Our accident, incident and near miss investigation and reporting procedures have worked effectively for a number of years. These are designed to establish the causes of accidents, incidents and near misses so we can take corrective actions and then distribute the learning amongst the rest of the organization.

Through our 2011 objectives we aimed to achieve zero Innospec Reportable Lost Time Accidents and to successfully implement our accident prevention and competency based training programs across all our sites. In April 2011 we had to report an Innospec Reportable Lost Time Accident at our Ellesmere Port, UK site. One of our research chemists working in our laboratories sustained burns to his hands after a small amount of flammable liquid caught fire.

Although the incident was caused by a human error we have since taken steps to make these procedures safer by introducing new risk assessments and protocols on when certain equipment is used. We also reviewed the flammable handling at all our other sites and updated our hazard awareness course to clarify the risks from flammable liquids.

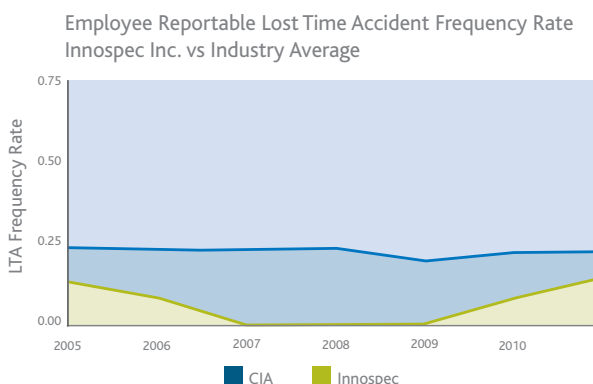
A second Innospec Reportable Loss Time Accident occurred at our Spencer, US site where an operator's elbow was injured when the hatchback of a company vehicle fell on him. This injury eventually required minor surgery and as a result time away from work. This illustrates that accidents at

work are not solely confined to manufacturing processes a fact that will be re-emphasized in our safety training.

While these accidents are disappointing our Loss Time Accident Frequency Rate still stands below the UK Chemical sector average of 0.22.

In 2011 we were able to report that our Herne site in Germany reached the significant milestone of one million man-hours worked without an Innospec Reportable Lost Time Accident. The site was awarded an Innospec Gold Award. This was a substantial achievement. By the end of the year Herne had achieved over 3,000 days without such an accident.

We can also report that our aroma manufacturing site in Widnes in the UK has now completed ten years of operation without an Innospec Reportable Lost Time Accident. Again another remarkable achievement.



Health and safety training

During 2011 we completed the first phase of our training and competency assessment training program for new personnel at our High Point and Spencer sites in the USA. The second phase of this program, which also serves as a refresher for existing employees, will be completed in 2012.

At our Ellesmere Port and Widnes sites in the UK in 2011 we completed a new behavioral safety-training program. This helps our people understand why incidents occur and what

Loss Time Accident - Lost time accident: any work related accident that resulted in incapacity to work for more than three days.

Innospec Reportable Lost Time Accidents - Innospec employee that is away from work for more than three days as a result of an accident.



can be done to change the behaviors that lead to these outcomes. We believe that knowledgeable and motivated people have a deeper understanding and commitment to health and safety. This type of training will be rolled out across sites in 2012.

In Herne the restarting of production of the Ferrocene Plant meant that all operators involved had to undergo an extensive training program. Key to this training was transferring knowledge from experienced operators who had worked at the site for many years to new operators unfamiliar with ferrocene manufacture. The training involved studying the process manuals and plant drawings alongside practical sessions on site.

In Vernon numerous staff training activities were undertaken in 2011. These safety, health and environmental programs

covered topics as diverse as chemical handling and storage, building evacuation and the management of a chemical spillage. More general courses covered first aid, emergency fire procedures and fork lift truck driving.

Management System Assurance

For a number of years our UK Widnes site has achieved the Occupational Health and Safety management system OHSAS18001. Ellesmere Port, UK achieved this in 2010 followed by Leuna, Germany in 2011.

The development of the management systems required to achieve these global standards has been a major factor in the success of the on-going drive for continuous improvements in the Safety, Health and Environmental performance of all our manufacturing operations.

PROVIDING EMPLOYEES WITH EMERGENCY RESPONSE TRAINING

When it comes to health and safety training, we think there is no substitute for gaining practical experience. At our Herne site in Germany, the site management team decided to reinforce our classroom training on dealing with hazardous liquid spills and simulate a real life emergency. Without telling our people we asked a trusted supplier to deliver a tanker of water instead of the expected hazardous raw material.

We then arranged for the off-loading connections to leak and asked an operator to simulate being contaminated. We watched to see how our people, not knowing this was an exercise, would react. It was down to everyone on site to follow the correct procedures and our team performed extremely well. The operator was quickly taken to the emergency shower while others called the emergency services, stopped the leak and organized the clean up of the spillage. The chain of events was filmed to provide a retrospective learning tool.



EVERYONE HAS A CONTRIBUTION TO MAKE

To ensure our Ellesmere Port operation remains both competitive and sustainable as a manufacturing site, we enlisted the help of our employees involved in manufacturing in 2011 to work on a special 'site competitiveness' project.

Everyone within the manufacturing team was involved in generating ideas about how to make day-to-day operations better, faster and more cost effective. Being more competitive will help ensure the longevity of the site and secure jobs for the future.

Our project tackled these issues head-on and thanks to the support and creativity of our people it proved a brilliant success. We involved all levels of our manufacturing staff from operators to site management and held a series of 'Competitiveness Workshops' to generate ideas and established a number of 'Site Action Teams' to look into specific issues.

We looked at everything from the way materials are moved around the site to what we do with waste. Indeed our waste reduction program increased the amount recovered, reused and recycled therefore reducing waste disposed to landfill by 22% resulting in significant cost savings.

Energy savings were top of the agenda and as a result of our efforts we were able to make massive savings during 2011. Energy usage was cut by over \$150,000. This was achieved by establishing a co-ordinated energy saving program that considered all areas of energy usage.

Some of the more impressive savings came from improving production yield. There were ideas on how to increase efficiency and reduce downtime by adapting our plant and machinery to use different components. We also managed to identify and eliminate a number of unnecessary process steps.

Other suggestions focused on raising the effectiveness of maintenance work carried out at the site. More flexibility was introduced by looking at how we might redeploy site operators and cross-train existing personnel.

As a result the Ellesmere Port site has been able to make savings within one year of \$2.2m. All this was achieved thanks to the 'buy-in' from everyone working within the manufacturing team. From top-level managers to site operators, our people enthusiastically rose to the challenge. This initiative illustrates the exceptional value of engaging with employees when it comes to developing a sustainable business.

Our business is committed to monitoring the environmental burden of our operations. As we strive to improve the sustainability of our company the requirement for accurate data on the impact of our activities becomes increasingly important.



Monitoring our impact

Environmental burden

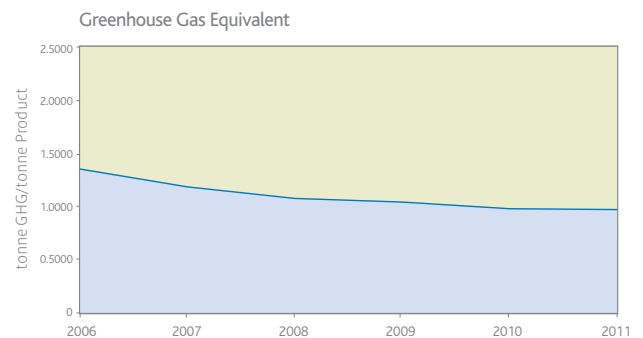
In 2010 we decided to adopt a new approach to measuring the overall environmental impact of our site operations and focus on measuring greenhouse gas generation in such a way that is consistent with the use of factors derived from UK regulators and respected independent research.

This approach is based on the Greenhouse Gas (GHG) Protocol. Developed by the World Resources Institute and the World Business Council for Sustainable Development, it provides the accounting framework for the majority of GHG standards and programs in the world from the International Standards Organization 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.

Our 2011 report follows the DEFRA guidelines and applies them to the last six years data so that trends can be shown. 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 2011 our Greenhouse Gas equivalent per tonne of product fell by 1%. Since 2006, while production has increased by 38%, the Greenhouse Gas equivalent per tonne of product has fallen by 28%.



Resources

Like any manufacturing organization we consume energy, use water and generate hazardous waste. By using scarce resources efficiently and measuring the impact of our operations, we can keep our environmental footprint to a minimum.

For many years we have been focused on increasing the efficiency of our processes in order to reduce the use of precious resources. This all began with a review of operations at each of our sites to identify the obvious and easy changes that could be made. This was followed by more technically based solutions sometimes requiring capital investment. As a result the last seven years has seen our energy/tonne of product fall by 17% and our hazardous waste/tonne of product fall by 21%. Our water used/tonne of product has fallen by 56%.

Year on year 2011 has proved to be a challenge, nevertheless there has been some notable improvements shown at various sites.

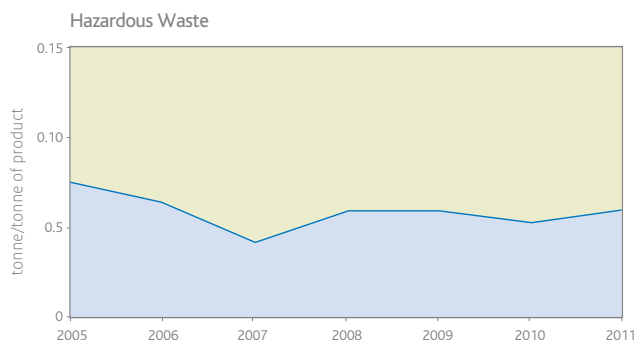
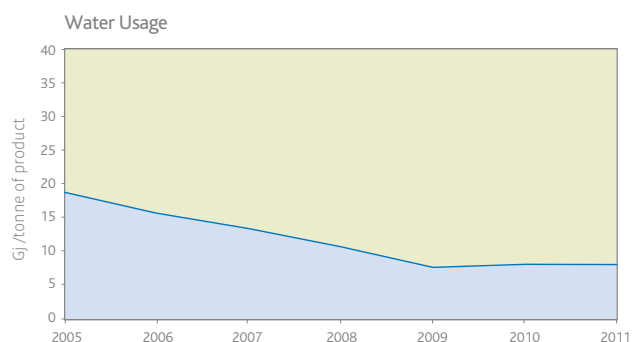
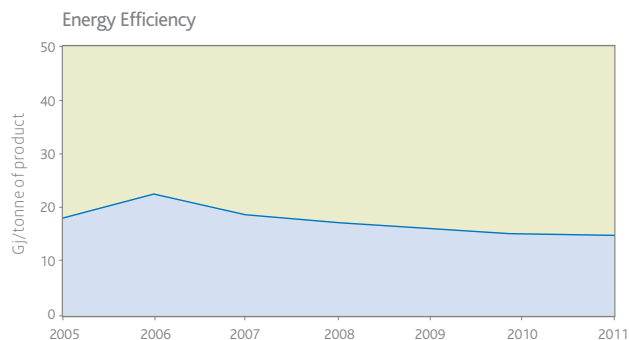
Energy efficiency, water usage and hazardous waste are monitored and measured so we can keep recording our performance year on year. We strive for continuous improvement. Our people are always thinking of new ideas to increase operational efficiency and reduce our environmental impact.

Overall energy usage/tonne of product was slightly down (-1%) however our Widnes site managed to achieve an impressive 15% reduction in energy/tonne of product by various initiatives including installing variable speed drives and improving the boiler efficiency. In Ellesmere Port we achieved a 13% reduction in energy/tonne mainly through the ideas generated by our people as part of the competitiveness program.

Water usage/tonne of product was unchanged from 2010, however Vernon achieved a 71% reduction in water used/tonne product thanks to increased operator awareness on water usage, plant modifications and improved production planning. In Herne we managed a 14% reduction by introducing a close monitoring program to spot leaks early. In Widnes we managed a reduction of 12% through early attention to leaks and improved condensate recovery.

Hazardous waste/tonne, partly due to changes in product mix, was up 12% across the company as a whole but in North Carolina a new outlet for a by-product previously treated as hazardous waste, resulted in a 39% drop in hazardous waste leaving their sites. Going forward we have started to collate data on how much of our waste is recovered, recycled or reused to ensure that we focus in on the hierarchy of waste controls where disposal is the last option.

Apart from considering performance as per tonne of product we can also demonstrate improvement by considering the absolute amounts involved. For example since 2005 production has increased by 28% whereas the total energy used has only increased by 6%, the total hazardous waste has not risen at all and the total amount of water used has fallen by 45%.





Quality standards

Our stated objective is for all our sites to have an externally verified environmental management system by the end of 2012. Many have already been awarded the environmental management standard ISO 14001. This is internationally recognized for environmental systems that acknowledge an organization's commitment to running an environmentally friendly operation.

Operating ISO 14001 enables us to assess the impact on the environment from our activities, services, products and people. One of the primary requirements for certification is to compile a comprehensive list of environmental aspects associated with our operations and identify those that can cause the most significant impacts to the environment.

To date our Ellesmere Port and Widnes sites in the UK and our Herne and Leuna sites in Germany have ISO 14001. Our North Carolina sites in the USA are aiming to have the standard by the end of 2012.

In France our Vernon site is exploring whether ISO 14001 is the best way to introduce an externally verified environmental management system or if another system is more appropriate to the smaller manufacturing operation.

Finally, our Leuna site also gained accreditation for the energy management standard EN 16001. The achievement of EN16001 is particularly noteworthy as it is a new standard and few companies have been awarded this certification so far. It makes Leuna our first site to gain all four quality accreditations - ISO 9001, ISO 14001, OHSAS 18001 and EN 16001.

REDUCING WATER USAGE IN PRODUCTION

As part of our commitment to developing a sustainable future, we are always looking at new ways to reduce the quantity of water we use during the manufacture of our products. Most water is used in our plant cooling systems so we have looked at making these processes more efficient.

At our Vernon site in France we were able to cut our usage by 71% per tonne of product by making sure coolant water is only used when the plant temperature reaches a certain level. We provided new temperature monitors to provide our operators with accurate temperature readings. This slight modification with improved operator training, means the site operates more efficiently and we only use the water we need.

PRODUCTS TO BE PROUD OF

Our Ecoclean® Program is focussed on developing products that offer environmental benefits of using the product or the environmental characteristics of its manufacture. A good example is our DCI-11 corrosion inhibitor. This product not only helps to reduce CO₂ emissions, but also helps to reduce our dependency on crude oil. It does this by aiding the incorporation of ethanol into gasoline and so facilitating the use of biofuels.

DCI-11 has a carbon footprint of 1.49 tonnes of CO₂ equivalent per tonne of product and it only takes a very small quantity of the additive to treat a large amount of gasoline. This means that the overall CO₂ savings when using E10 biofuel gasoline compared to 100% mineral gasoline are more than 20,000 times the carbon footprint of DCI-11.

What is more, DCI-11 can be manufactured without using up scarce natural resources. It has a Renewable Carbon Index of 68%. Although DCI-11 is combusted before it reaches the environment, over 50% of the components in DCI-11 are also readily biodegradable. This innovative fuel additive, which is part of our expanding portfolio of Ecoclean® products, is now widely used all over the world.



As a responsible manufacturer we take product stewardship very seriously. From the design and manufacture of our products through to their marketing, distribution, use, recycling and disposal, we are mindful of the safety, health and environmental issues at each stage. Our on-going Product Stewardship program seeks to ensure that our specialty chemicals are managed and controlled throughout the product lifecycle.



Taking full responsibility

In 2011 we made further progress on a number of initiatives that are helping us manage our product portfolio in a sustainable way.

REACH

REACH is a scheme for registering chemicals in Europe. Innospec completed the registrations of all necessary substances required under the first phase of REACH by the end of the November 2010 deadline. Work is now underway towards registering the substances we manufacture or import in the tonnage band specified by Phase Two of REACH and updating our existing registration dossiers as appropriate. Phase Two substances have a registration deadline of the end of May 2013. We are also in continual communication with all our suppliers to make sure they are meeting their REACH obligations. In this way we are able to ensure all the products we place on the European market are REACH compliant.

Ecoclean® Program

In 2011 we made great progress towards developing our Ecoclean® brand which will be formally launched in 2012. The stamp of the brand is being used to highlight the environmental benefits of using the product or the environmental characteristics of its manufacture.

Our Ecoclean® branded products will be categorized according to their performance or sustainability.

Ecoclean® Program: Performance

In use our products provide an enhanced environmental performance when compared to alternative chemistries. A good example is our high performance fuel injector antifoulant products. These innovative fuel additives are designed to improve engine efficiency, improve fuel economy and therefore reduce pollution. Customers who choose this product are helping to improve the environment.

Ecoclean® Program: Sustainability

There is a growing demand for products that can be manufactured without creating harmful emissions or using

up scarce natural materials. By assessing and publishing the carbon footprint, the Renewable Carbon Index and the biodegradability of our products we are able to provide clear information on their sustainable characteristics.

Using these detailed assessments we can take a scientific view on the sustainability of our products. This approach will form a key part of our evolving Sustainable Development strategy.

Toxic Waste Clean Up Program

As a business we accept our Product Stewardship role in the management of our Octane Additives business and the declining market for tetra ethyl lead (TEL). Through Innospec Environmental we offer a complete remediation service to clean up redundant plants and facilities.

In 2011 we were involved in a number of remediation projects. One of the most important was a project initiated by the United Nations Environment Program (UNEP) and the Environment Protection Agency of Sierra Leone (EPA-SL).

An oil refinery just outside Kissy, the capital city of Sierra Leone, had been abandoned during the civil war leaving 93 barrels of motor fuel antiknock compound. The barrels were buried and decaying and some had already started to leak resulting in ground contamination. At the time local residents were using the site as a market garden for growing vegetables, fruits and crops.

Our expert teams supervised and trained local contractors resulting in 12,000 litres of motor fuel antiknock compound being successfully removed from the site. We also provided training on the best techniques for the safe storage and containment of chemicals.

We are now working with UNEP and EPA-SL to assess the extent of contamination in the surrounding soil with a view to developing any necessary remediation program. A short video created by UNEP describing the project can be found using the following link:

<http://www.unep.org/flvPlayer/videoplayer.asp?id=27392&l=en>

Validation Statement

Methodology

SKM Enviros has conducted an independent validation of the 2011 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 continue to develop the coverage of their SD report. In particular employee issues in the 'Investing in People' section is a new addition this year and demonstrates Innospec's responsiveness and commitment to ensuring completeness of their SD reporting.

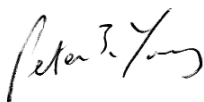
The SD network which was set up in 2010 has worked on development of the SD strategy for Innospec and it will be important in next year's report to present the linkage between the work of this group, identification of material SD issues, and further development of improvement targets and indicators for each section of the report.

Stakeholder engagement on reporting issues is largely limited to internal stakeholders and to ensure that the report remains relevant to changing needs and expectations we would encourage further identification and engagement with external stakeholders. This will ensure that Innospec has a robust system in place for internal and external stakeholders to participate in the development of the organisation's response to sustainability issues.

We believe the coverage and presentation of data reflects 2011 business practices and performance at the amalgamated group level. We recognise that changes to product mix can have an impact on site resource use and ability to show annual trends in resource efficiency. This has been particularly relevant to the Fuel Specialities business in 2011. To allow these specific issues to be discussed at a business and site level, consideration should be given to signposting business or site level performance information from the main SD report.

The data collection systems used for collating the sustainability performance information are generally well used and robust. Although there remains a reliance on manual transposition of data for the SD report, any material anomalies have been resolved. We have been able to obtain assurance in terms of the SD performance data. Internal guidelines setting out methodology and responsibilities for SD data collection would address the current risk of reliance on current staff knowledge.

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.



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Further details on Innospec, our products and services can be found on our web site.

If you would like to provide feedback on any aspect of this report then please visit www.innospecinc.com/195/195/contact-us.html.



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