



Our commitment to
sustainable development

REPORT **2012**

2012

Innospec Sustainable Development

While generating returns for our shareholders and providing vital products to the modern world, we also have a responsibility to understand how our business activities impact on the world around us.

This, our 14th annual Sustainable Development report, provides a detailed overview of our activities relating to sustainability.

Building a sustainable business that will continue to grow, thrive and provide solutions that address customers' and society's needs is crucial to Innospec.

Our business has transformed in recent years and everything we do now supports our commitment to providing the best possible returns to our shareholders while responsibly managing the impact of our activities on the world around us. We expect our people to display the behaviors required to fulfil this commitment and work to ensure we have the systems and processes in place to support this expectation. Every year, we continue to monitor, evaluate, rethink and improve wherever we can so that our people and partners are driven by a culture of continuous improvement.

Our business

2012 was an exciting year for us, ending in a significant acquisition for our Oilfield Specialties business. On December 24, 2012, we completed the acquisition of Strata Control Services Inc, a leading supplier of mud and fluid loss solutions to oil and gas drilling operations. We continue to pursue other attractive opportunities to enhance our offering in this market and others, including personal care and fuel specialties. Our Active Chemicals business was renamed to Performance Chemicals in 2012 – to more accurately reflect the highly functional and performance-enhancing products we offer. The new name has been well received by our customers and the market.

We also appointed a new Chairman to our Board of Directors in 2012. On 9 May, Milton C "Bud" Blackmore succeeded Dr Bob Bew, who retired from the board. Having made a significant contribution to Innospec's Board since joining it in June 2010, Bud's extensive experience in oil refining, fuel marketing and business leadership will be invaluable to us as we take the company into our next phase of growth. Lawrence Patfield on 1st December joined the board as a non-executive director. Lawrence's experience on oil, gas & logistics will be of tremendous benefit to our business.

Our objective is always to reach beyond compliance and do more than is required by law. In November 2012, we appointed an attorney with significant compliance experience as our Global Compliance Counsel, further strengthening our compliance team and commitment to going above and beyond.

Our people

We are known for the talent, dedication and passion of our people and we ensure that they have support, training, development opportunities and a safe working environment. Rewarding our people for the contributions they make is central to our ethos and this is often repaid with loyalty and dedication. Indeed, in 2012, almost 50% of our employees had been with the organization for 10 years or more. We support many of our people in improving their skills, qualifications and provide financial and practical support for training and education opportunities. Degrees, certificates and other qualifications were undertaken in subjects including statistics, toxicology, business leadership & management and fire risk assessment.

Preventing any accidents from happening in our facilities is our number one priority. We have a rigorous approach to safety assessment, training and compliance and have received many widely-recognized health and safety awards. Our High Point site in North Carolina, USA, reached the one million man-hours worked without an IRLTA (Innospec Reportable Lost Time Accident) milestone. Our Widnes and Ellesmere Port sites in the UK were also recognized by the Royal Society for the Prevention of Accidents (RoSPA), and achieved prestigious awards for occupational health and safety.

Our relationships

A key part of our drive towards creating a sustainable future for Innospec is investing in the communities in which we operate. In 2012 our teams carried out a wide range of community and charitable activities, from taking part in a charity run to raise money for several charities local to our Leuna plant in Germany, to hosting our annual Fuel Specialties US Golf Invitational in aid of the Military Heroes Fund.

We also invite people local to our sites, including potential future employees, to visit us and learn more about what we do and how we do it. At our Vernon site in France, we participated in several seminars to educate young unemployed people about key employability skills and life in the workplace.

Our impact

In 2012, the sustainable development network that was set up in 2010 took part in a workshop to set out the next steps in the evolution of our strategy. This resulted in an outline sustainable development action plan which will be further

developed in 2013. We continuously measure our impact on the environment in four key areas: greenhouse gas emissions, energy use, water use and hazardous waste produced. In 2012, our Greenhouse Gas equivalent per tonne of product fell by 13%, while our energy usage per tonne of product saw a 12% reduction. We have been able to reduce the amount of water we consume per tonne of product by 14% since 2011 and the amount of hazardous waste per tonne of product by 22%.

Ecoclean®

In 2012, we officially launched the Ecoclean® program, formally introducing it to our customers, many of whom have already provided positive feedback. The program is focused on developing products which offer specific sustainability benefits across their lifespan, without compromising on functionality or ease-of-use. These benefits may be derived from a product's performance in use and/or through the environmental impact of manufactured products.

2012 has been an exciting and successful year for us and we are further forward in our journey towards a sustainable future. We have, in this report, highlighted some key achievements and indicated where more will be done in 2013 and beyond to advance us even more.

We hope you find reading our 2012 Sustainable Development report informative.



Patrick S Williams

President & Chief Executive Officer



Peter Shields

Director Safety, Health & Environment

business PERFORMANCE

innospec an innovative and sustainable business

Innospec is a leading specialty chemical company which is driven by strong values, innovation and a customer focus. Our business is committed to developing new and improved products and technologies which will enable us to continue to strengthen our position in the markets we serve and deliver excellent shareholder value. We employ approximately 900 people around the world and have a global turnover of US\$776m.

Global reach

We are a truly international company, with bases in 20 countries providing products to customers throughout the Americas, Europe, Russia, Middle East, Africa and Asia-Pacific. Our corporate headquarters are located in Littleton, Colorado, USA, and we have manufacturing sites in the USA, UK, France and Germany. These facilities are supported by a global network of regional offices and research and testing laboratories.

Values driven

Our people and the values they share underpin our business and are crucial to driving Innospec forward. We are

dedicated to the principle of sustainable development and committed to delivering excellent customer service. We invest in our people and foster an environment which encourages and inspires them to champion innovation.

Forward-thinking

Our aim is to be recognized in our chosen markets as the leading provider of innovative specialty chemical solutions, delivering value to our customers and shareholders. With a strong understanding of our core markets, we use our extensive technical expertise to deliver value-added solutions to meet our customers' current and future requirements. Our business organization, systems and procedures are structured to ensure we can adapt and respond quickly to meet changing market demands and new opportunities.

Research-led

Research, product application development & technical support (R&D) provide the basis for the growth of our Fuel Specialties, Oilfield Specialties and Performance Chemicals segments.

Our R&D activity has been, and will continue to be, focused on the development of new products and formulations, many of which have superior environmental performance. Expenditure to support our R&D services over 2010, 2011 & 2012 amounted to US\$17.6m, US\$18.3m and US\$19.6m, respectively.

Strong performance

Despite difficult trading conditions, 2012 was another good financial year for Innospec, with our net income up 40% to US\$68.3m (from US\$48.9m in 2011). With good revenue streams and a strong cashflow, we are economically sustainable and well placed to continue growing. Our financial stability also ensures that we can continue to make a positive contribution for many years to come.

OVERALL
SALES TURNOVER
IN 2012

\$776m

GROSS PROFIT UP

4.4%
TO
\$236.4m

NET INCOME UP

40%
TO
\$68.3m

our VALUES



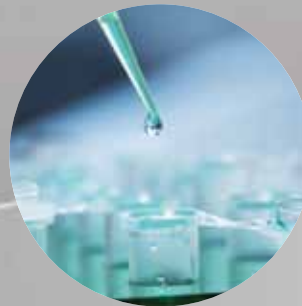
Sustainable development

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 be judged on how well we live up to these principles and strive to continuously share best practice and celebrate success across our business.

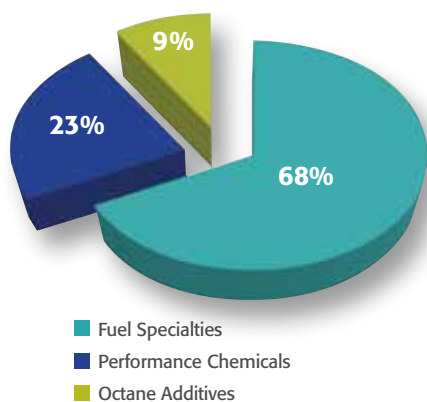
driving SUCCESS



Our business units. **Innospec divides its business into three segments for management and reporting purposes:** Fuel Specialties, Performance Chemicals, and Octane Additives

The Fuel Specialties and Performance Chemicals segments operate in markets where we actively seek growth opportunities, although their ultimate customers are different. The Octane Additives segment is generally characterized by volatile and declining demand, and competes with producers of alternative ways of enhancing performance in automotive and aviation gasoline.

2012 SALES TURNOVER



Fuel Specialties

Our Fuel Specialties segment is one of the largest dedicated providers of fuel additives in the world, with annual sales of US\$527m. It develops, manufactures, blends, markets and supplies a range of specialty chemical products used as additives in a wide range of fuels.

These fuel additive products help improve fuel efficiency, boost engine performance and reduce harmful emissions. With customers in this segment including multinational and national oil companies and fuel retailers, our edge remains our ability to combine innovative technology with strong customer relationships and superior services.

The Fuel Specialties division now primarily grows organically through the development of new products. We invest in developing innovative products which address what we believe are the key drivers in shaping demand for fuel additives. These factors include an increased focus on fuel economy, changing engine technology, energy pricing, and legislative developments. Our strong understanding of our customers' requirements, alongside our extensive R&D capabilities, allows us to generate cutting-edge products for improving the efficiency of combustion.

Our products in this segment include detergents, cold flow improvers, stabilizers, antifoulants and combustion improvers. One such product in this segment is ECOCLEAN HPFI Antifoulant. This innovative product has made it possible to push the performance of ultra low sulfur fuels to new levels. By preventing fuel filter plugging and injector fouling, the antifoulant keeps maintenance

costs lower. It also boosts power in today's high-tech engines and helps the environment by reducing exhaust emissions and improving fuel economy.

Within this segment we have developed a dedicated Oilfield Specialties business. Launched in 2010, it provides market-leading additive technology which extends the capabilities of well operations and helps to safely remove the hazardous by-products of crude oil and gas operations. Since its inception, the business has managed to break into a well established market and has succeeded in growing its revenues. During 2012, we completed the acquisition of Strata Control Services, Inc. Strata specializes in products and services designed to prevent and solve drilling mud and fluid losses in oil and gas drilling. This addition will help the business towards reaching the critical mass required to operate sustainably within this lucrative market. We continue to actively pursue other opportunities for this area.



Performance Chemicals

This segment of our business, with annual sales of US\$180m, produces high quality specialty chemicals for the personal care, aroma chemicals, polymers and household products markets. In 2012, the segment previously known as Active Chemicals was renamed Performance Chemicals, to better reflect the highly functional and performance-enhancing products it offers. The decision has been well received by our customers and the market in general, with the segment continuing to grow in 2012.

The markets in which our Performance Chemicals customers operate tend to be driven by consumers, who increasingly demand improved performance in cleansers, sunscreens and shampoos. In addition to this demand, consumers are expecting natural products with fewer chemical irritants, or indeed any potential harmful ingredients. Our products can help customers to improve their processes and formulations to create exciting new products free from undesirable components. A variety of our innovative products – such as Iselux®, a mild, sulfate-free surfactant that enables the creation of crystal clear, gentle personal care products – are now being included in a number of major consumer brands.

In this business segment we pursue a dual-track strategy of creating 'greener' high performance products while also increasing and diversifying our product portfolio. This strategy has enabled us to both support our customers in developing innovative products and expand the segment over consecutive years.

Octane Additives

We continue to responsibly manage the decline of this business.

Tetra ethyl lead (TEL) is still a critical component in aviation gasoline and is still used in a small number of countries in motor gasoline, but, with annual sales of US\$70m, represents less than 10% of our total sales.

We use our extensive market knowledge to support the few remaining countries using the fuel to make a smooth transition to unleaded gasoline. Through this phase-out period, we ensure the continuity of TEL while also providing comprehensive support and guidance on how best to manage the changeover. We also offer an environmental remediation service to customers, managing the clean-up of redundant plants as refineries complete the move away from TEL. This service includes safety training, technical and engineering support.



business ETHICS



Living our values. Innospec is committed to the highest standards of corporate governance and ethics. Compliance is a non-negotiable part of our business operations and we have invested heavily in ensuring that our people understand their responsibilities and adhere to the highest ethical and professional standards at all times.

As an international business, our operations are subject to a variety of increasingly complex regulatory frameworks. Every transaction we undertake must be conducted in compliance with the US Foreign Corrupt Practices Act, the UK Bribery Act and local anti-bribery laws, in addition to regulations specific to the chemicals sector. Full conformity with both the spirit and letter of these laws and regulations is a basic and non-negotiable requirement in every jurisdiction in which we operate.

However, we recognize that compliance is more than just a set of policies. As a company committed to creating a sustainable business built upon strong values, we strive to set the highest standards of corporate governance and accountability. That is why we have invested significant resources into embedding compliance in everything we do. Compliance is now firmly established as part of our daily business routine, touching every aspect of our business activities.

Policies and procedures

Our Enhanced Compliance Program has been in operation since 2008, following an initial process in which we reviewed our policies and procedures and introduced a company-wide Code of Ethics. We review and update the program on a regular basis, ensuring our existing policies continue to support our corporate governance targets. For example, we developed and implemented rigorous procedures and checks for all our interactions with third parties. We also assessed the impact of the UK Bribery Act in 2010 to understand how its requirements should be handled, the outcomes of which were incorporated into our Anti-Corruption policy.

Our Code of Ethics and Anti-Corruption policies clearly set out the strict guidelines that our directors, officers and employees must adhere to as a condition of employment. As well as imposing a duty on each employee to comply fully with its terms, the Code of Ethics places additional leadership and ethical conduct requirements on all our directors and senior managers.

As an integral part of our compliance program, the Code of Ethics is periodically reviewed and updated to ensure it remains in line with the high ethical standards we strive to maintain. The Code was updated as part of this on-going process in 2012, and the revised version was shared with all our employees and incorporated into our training program.

Training

To underpin our drive towards enhanced compliance, and reinforce our commitment to the highest ethical standards, we introduced a company-wide training program in 2008. In 2011 we extended the program to include all agents and our third party representatives.

Delivered and monitored in partnership with SAI Global, this system of continuous training is a key component of our Enhanced Compliance Program and is designed to ensure all employees know what is expected of them under both the Code of Ethics and Anti-Corruption Policy.

Each year, SAI Global provides us with frequently updated online training and testing courses on a wide range of ethical issues. These courses are offered in English, French, German, Italian, Russian, Portuguese and Chinese, so the vast majority of our employees can complete the training in their native language.

Further translations – including Spanish, Turkish, Thai and Vietnamese – are made available as required for specific third parties. SAI Global also undertakes an annual compliance certification process for all staff and specified third parties that have been trained throughout the year.

The training modules are released two to four times a year, involving over 500 Innospec employees and over 200 third parties. In 2012, we achieved over 99% completion rate for employees who were required to take the training and were not on long term illness or maternity leave.

OUR INTERACTIVE TRAINING MODULES INCLUDE:

- Code of Ethics
- Antitrust: Contact with Competitors (US)
- Global Competition Principals and Practices (non-US)
- Global Export Controls
- Sarbanes Oxley and Internal Business Controls
- Records Management
- Exports: Prohibited Countries Pinpoint
- Fraud and Business Integrity
- Conflict of Interest
- Intellectual Property and Competitive Intelligence
- Trade Compliance

Additionally, the following courses were added in 2012

- Combating Bribery in Business
- Insider Trading
- Facilitation Payments Pinpoint

Compliance management

In November 2012, we appointed an attorney with significant compliance experience as our Global Compliance Counsel, further strengthening our compliance team. Reporting directly to the Chief Compliance Officer, the Global Compliance Counsel's role involves providing oversight and support for our compliance function.

Our compliance policies, procedures and controls are monitored by a Compliance Steering Group, comprising Innospec's Chief Compliance Officer, Global Compliance Counsel, Executive Vice President Business Operations and President Fuel Specialties-Americas, as well as other business and legal personnel. The work of both the compliance team and the Steering Group is overseen by our Chief Executive Officer. Our Board of Directors has ultimate oversight of all compliance issues, which are tabled as a standing agenda item at its quarterly meetings.

Whistle-blowing hotline

Our whistle-blowing hotline encourages employees to report any fraudulent behavior, malpractice, or suspected violation of our ethical and/or professional standards. Run by an independent company, this system respects employees' confidentiality and ensures they are protected from any potential reprisals. Details of the service and a local telephone number are provided to all of our employees, allowing them to anonymously call the hotline if they wish to make a report. In 2012, one call to this system was recorded and satisfactorily resolved.

Third parties

It is not only our employees who are expected to adhere to our high ethical standards; we are also committed to ensuring that the companies and individuals we have dealings with share our standards.

We complete reviews on all new third party agents, distributors and consultants before they are appointed. We complete repeat due diligence on existing agents every two years and existing distributors and consultants every three years. This procedure involves screening, face-to-face interviews and questionnaires. In countries which are perceived as high risk in terms of unacceptable compliance practices, these methods are supported through enquiries to local commercial intelligence agents. In the event that a third party fails to participate in this due diligence process, we immediately terminate all our dealings with it. In 2012, we terminated our dealings with several third party contracts that did not meet our compliance standards or where we were unable to obtain sufficient information.

In 2012 we asked representatives, distributors and agents to take part in our Combating Bribery in Business training. As with our internal procedures, we pursue 100% compliance in meeting our high standards and do not tolerate exceptions or delays; when the required training is not completed by a third party within a reasonable timeframe, we put business on hold with them.

case STUDY

INVESTING IN COMPLIANCE TRAINING

As a key element of our Enhanced Compliance Program, we invest significantly in ongoing training. To ensure it remains at the cutting-edge of industry best practice and constantly reflects the latest regulatory requirements from across the globe, we regularly update and add to the modules delivered by SAI Global. For example, since setting up the program, we have added 9 further modules, the latest in 2012 being 'Insider Trading', 'Combating Bribery in Business' and 'Facilitation Payments Pinpoint'. These newest units have been designed to reflect our recently updated Anti-Corruption Policy and to ensure our training fully incorporates the USA's Foreign Corrupt Practices Act and UK's Bribery Act. We now offer 14 interactive modules to our employees, delivered across the year and in their native tongue.

Training plays a central role in our ongoing commitment to improving company-wide awareness and understanding of our compliance policies, procedures and ethical guidelines. We will continue to invest in compliance training, as we seek to ensure that our team is fully supported in upholding their exemplary ethical and corporate governance standards.

developing a sustainable STRATEGY

As one of our core values, our approach to sustainable development plays an important role in how we develop as a global specialty chemicals business.

We strive to continuously evolve our sustainable development performance and actively introduce new ideas each year to help us address key issues and move our sustainability strategy forward.

We believe that our business success today can not be achieved at the expense of future generations. This shapes our approach to sustainable development and is underpinned by key commitments we made as a business many years ago. These commitments, which remain embedded in everything we do, are:

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 through the supply chain

We want to make sure that our people and partners act responsibly and in compliance with legislation

We look to share our values with our stakeholders

Targets and objectives

Each year, company-wide objectives for occupational safety, process safety and sustainable development are set by our Executive team. These top-level objectives are based on company performance and feedback and input from both internal and external sources. Once set, they then flow down to individual sites, influencing their own targets.

These site-level targets are then further communicated down the line management chain, and built into the personal objectives of individual employees. Performance against these objectives is then evaluated as part of employees' annual reviews. This system ensures that each member of the Innospec team works towards the same sustainability objectives we have all played a part in setting.

Sustainable Development Network

In 2010, we created a Sustainable Development Network, comprising 12 of our employees from a variety of business regions and disciplines. The Network is tasked with reviewing our current sustainability approach and considering ways in which we can improve our future performance.

The team is currently developing a coherent global strategy which will provide a road map for our sustainable development over the next ten years. It has a wide remit, covering everything from how we manage safety, through to our involvement with local communities and how we measure our environmental impact.

Since its founding, the team has met on several occasions to look at the actions we are taking today and consider how we can improve our performance and better meet our stakeholders' expectations in the future. Topics the team has reviewed include new investment in energy saving projects, waste reduction programs, product development and sustainable procurement.

In 2012, the team took part in a sustainable development workshop to set out the next steps in the evolution of our strategy. Facilitated in conjunction with leading strategic consulting experts, Sinclair Knight Merz, the aim of this workshop was to allow us to identify, prioritize, and begin designing solutions for the key material sustainability challenges and opportunities we face as a business. During the workshop, the Sustainable Development Network team benchmarked and mapped our sustainability performance to date, before considering the most effective ways to move our sustainable development program forward.





Sustainable development action plan framework

Based on the outcomes of our sustainable development workshop, we are beginning to form an action plan framework to help shape our sustainable development strategy over the next 5 to 10 years. A core element of this framework is the categorization of areas of focus, under 6 core themes. These sustainability themes have been designed to more effectively identify key challenges and to efficiently direct resources to important sustainable development initiatives.

Our next goal is to set short-to medium-term actions (over one to three years) under each theme. As part of this process, we will begin to develop and agree objectives and appropriate performance measurements for all sustainability issues. We will be looking to identify sustainability coordinators and consider the resource requirements of potential initiatives. Once these stages have been completed, we will work with individual initiative owners

to support them in developing more detailed action plans for their specific initiatives.

Our ultimate ambition is to embed a sustainability strategy which is aligned with key business objectives and stakeholder requirements, throughout our operations and strategies.

Reducing the impact of our supply chain

We took steps in 2010 to introduce new sustainable procurement practices within our supply chain, with the intention of reducing the impact it has on the environment. In 2011 we signed up to the sustainable supply chain database run by Sedex. A not-for-profit global membership organization, Sedex is dedicated to driving improvement in responsible and ethical supply chain practices. In 2012, we began trialing Sedex's system, a process which is still ongoing. If we find the system has been beneficial, we will consider rolling it out across the company as a whole.

Our ultimate ambition is to embed a sustainability strategy which is aligned with stakeholder requirements and key business objectives throughout our operations and strategies.

Our workshop identified SIX sustainability themes:

Our sites

Our products

Our supply chain

Our workplace

How we communicate

Governance

our PEOPLE

Investing in our most important asset. At Innospec, our people make the difference. The hard work, skills and expertise of our team sets us apart from our competitors and is crucial to achieving our goal to be a successful and sustainable business.

In return for the energy and commitment they give to Innospec, we place a strong emphasis on looking after, training, developing and communicating with each and every one of our strong global team.

Guided by our principles

As one of our core values, we have developed strong principles around how we treat our people. At all times we expect everyone in our business to treat others with dignity and respect. We aim to work with honesty, pride and integrity, and to respect each other's ideas and support our colleagues to reach their full potential.

Policies

Our principles are upheld by a set of Global Human Resources policies. These global policies apply to every country in which we operate and act to reinforce our company's vision, culture and sustainable development strategy. They cover employee development, resources, rewards, anti-harassment, diversity and equal opportunities. We integrate these global policies into local policy frameworks which reflect local laws and customs, ensuring that we all adhere to the same strong principles while respecting local cultural variances.

Our workforce

We recognize that the diversity of skills and creativity provided by our geographical and cultural spread is an important component of our success as a business.

We are also an equal opportunities employer, and benefit from employing people from a wide range of backgrounds.

With almost 900 employees located in over 20 countries, our team spans five continents

We employ
234 women
and **661 men**

a gender split which puts us just ahead of the industry average for the chemicals sector.



Rewarding performance

We are committed to ensuring that Innospec is a great company to work for and invest in the development of our employees to meet this ambition. In order to ensure they are enthusiastic about their work and confident in their ability, we believe that it is important that our people feel valued and properly rewarded for their efforts.

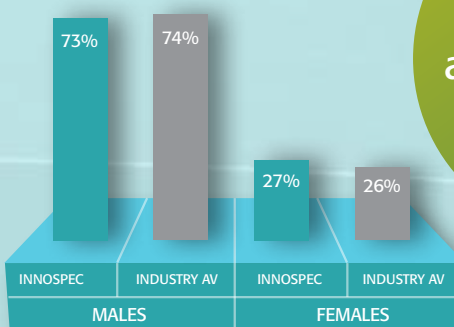
We have developed an excellent reward and recognition scheme to attract and retain the best employees and encourage them to deliver superior performance for the company. People who stay with us can also benefit from our incentive schemes, such as Share Options. In this scheme, every new employee who remains at the firm for one year receives the option of 100 shares, which vest after three years.

We also invest in our science ladder to help attract and keep the best scientists in the industry. People who decide to pursue a science-based career are recognized and rewarded according to their appointment on the science ladder.

Number of Innospec employees with 10 years' or more service at the company

424

Benchmarking against industry standards



Ref: Zahidi, S & Ibarra, H (2010)
The Corporate Gender Gap report
2010, World Economic Forum

Employee retention

With excellent opportunities for promotion at the company, alongside extensive career development options and performance-based reward schemes, it is unsurprising that many of our employees stay with us for many years. In 2012, 47% of our employees had been with the organization for 10 years or more.

Career development

Our policies provide a framework for the way that performance and development is managed throughout our business. We help every new employee identify and develop their skills and knowledge by focusing on agreed targets and individual development needs.

We also support people who want to pursue a science-based career but stay within the company.

We provide a wide range of training and career development initiatives. In addition, we work with our employees on a one-to-one basis to develop tailored career progression plans. We also offer opportunities for people to suggest external training options they believe will help them develop new skills to support their career.

At our Heme site in Germany, for example, we have supported a number of our Chemical Operators and Laboratory Technicians in studying for a Master Chemical Operators qualification. Equivalent to a university degree, this specialist course takes three years to complete.

case STUDY

TAILORED AND COLLABORATIVE PROFESSIONAL DEVELOPMENT

We believe in providing our people with the opportunity to fulfill their potential through training and education. However, we don't believe in a one-size-fits-all approach to developing our people.

Instead, we work with them to create a unique and personalized combination of internal and external training and education, tailored to their career progression objectives and requirements.

In 2012, we provided financial and practical support to a number of our employees to pursue external training and education opportunities. These activities ranged from one day external training programs, to professional development certificates and third-level qualifications. External programs currently being undertaken, or recently completed by Innospec employees include:

external TRAINING

- MSc in Statistics
- Diploma in Environmental Toxicology
- Honors degree in Business Leadership and Management
- ACT Treasury accreditation
- Deloitte's Next Generation CFO training program
- NEBOSH Fire Risk Assessment Certification
- ISACA IT Audit accreditation.

A number of our employees are also enrolled on job-related degree-level course units, to enhance their skills and/or meet work-related qualification requirements.

We also recognize that our people can benefit from courses administered by external specialists on our sites. We hosted a wide range of external courses across our locations during 2012, including:

on-site TRAINING

- Advanced Design of Experiment training, administered by a specialist statistical support organization, PrismTC, for 5 members of our team
- ISO 14001 Introductory training, for 6 of our employees
- ISO 9002 Auditor training, for 14 members of our team
- US GAAP training, administered for Innospec by KPMG.

In addition, we also employ the services of external specialists to provide more informal, job specific skills development guidance and instruction. In 2012, for example, we:

informal TRAINING

- Hired personal coaches to support senior members of our team develop their leadership skills
- Provided external training support for 15 of our first line supervisors
- Commissioned a specialized sales trainer to offer guidance to six of our people to determine their personality type, and using this awareness to their advantage, improve their professional lives.

Whatever our employees' career development requirements, we are always willing to work with them to find the most suitable solution to their objectives



Internal communication

Our employees may be located across the world, but we foster a one-team ethos that unites us all around the same core values and business objectives. Internal communications plays a crucial role in ensuring that we all work toward meeting the same outcomes and feel a valued part of the team.

We have developed a variety of successful internal communications tools which act to ensure our workforce remains motivated, is able to contribute new ideas to the business and can celebrate in our shared successes. These systems range from announcements via the company intranet, to internal bulletins and face-to-face briefings. We also ensure that all important communications, such as the Sustainable Development Report, are available for employees to view and download on our website.

As we are a multilingual workforce, we always make a point of communicating with people in their native tongue, to ensure our communications are as effective and engaging as possible. Furthermore, to make sure all our communications are distributed

correctly, promptly and according to internal procedures across our global sites, we have a network of Local Communicators. Each of our worldwide locations has an appointed Local Communicator tasked with supporting the implementation and development of our internal communications strategy.

Their role includes:

- Distributing internal communications throughout their site
- Encouraging and organizing participation on conference calls
- Coordinating with global communications to ensure consistency of information sharing between all sites.

case STUDY

RECOGNIZING OUTSTANDING ACHIEVEMENTS

In 2012, we celebrated an outstanding personal achievement by Helen Coy, SHE Manager at our Widnes site. As part of her career development program, Helen completed the National Certificate in Fire Safety & Risk Assessment Management, a course delivered by the highly respected National Examination Board in Occupational Safety & Health.

Out of over 1,000 candidates enrolled on the course, Helen recorded the highest marks. She was presented the 'Best Candidate Award' for 2012 at a graduating ceremony at the University of Warwick. Helen's achievement is testament to the talent of our people, as well as to our commitment to investing in our team and focus on maintaining the highest standards in process and occupational health and safety.

Innospec in the COMMUNITY

Our philosophy of putting people first extends beyond our employees and customers, and into the ways in which we interact with our wider communities.

Investing in people in the wider sense has always been an important part of our commitment to becoming a truly sustainable business

Across all of our manufacturing sites and office locations, we make a conscious effort to play a positive role in our communities and have developed numerous lasting relationships with local charities and organizations. We support people in a number of ways, including fundraising, education and environmental initiatives.

Making a contribution to the communities that surround our operations, and helping to create a better society for people where we live and work, is an important part of our culture. In 2012 our teams carried out a wide range of community and charitable activities.

Fundraising

Employees in our Leuna plant in Germany donated over €7,500 to a variety of causes during the year, including a local event center, volleyball club, and the rebuilding of a local monument. The team also took part in an annual charity run organized by the Leuna Lions Club, raising money for several local charities. Our Leuna site made a donation to an organization called "Kita Spatzennest" in the nearby town of Merseburg. This is a national organization which operates day centers for kindergarten and nursery children and actively encourages children to learn more about, and become involved with, the natural environment they live in. For more information on this group go to <http://www.natur-kita-spatzennest.de/>.

Innospec's High Point and Salisbury sites in North Carolina, USA, launched a campaign with charitable organization, United Way, making company donations in 2012 with employees pledging to donate almost \$13,000 in 2013. The United Way organization is committed to improving the quality of life in North America and beyond. Its activities include assistance to underprivileged people with economic emergencies, supporting the specialist needs of homeless individuals with mental and physical disabilities and arranging volunteers to carry out landscaping, painting and building work for local schools. Further information on this organization can be found at <http://www.unitedway.org/>. The North Carolina sites also donated \$4,800 to a range of local, national and international charitable causes in 2012.

At our Denver site in the USA, we hosted our annual Fuel Specialties Golf Invitational, in aid of the Military Heroes Fund®. The event was well supported by all involved – our suppliers and business partners raised \$37,000 for the fund, while invited guests raised an additional \$6,300 during the event. Meanwhile, our Vernon site in France got involved in several charitable initiatives over the year. This included providing financial support to the local fire brigade and raising money for the charitable organization Foundation de France, through a Christmas card buying initiative.

Vernon also organized a luncheon voucher collection for the Action against Hunger charity. This international charity is committed to saving the lives of malnourished children while providing communities with access to safe water and sustainable solutions to hunger. Further information on the work of this group can be found at <http://www.actioncontrelafaim.org/>.



We also continued to strengthen our existing charitable agreements with not-for-profit organizations in 2012. For example, our Herne site has an exclusive agreement with the German Association for the Protection of Forests and Woodlands (SDW). For every litre of Ecotherm® Futur 2 we sell, we make a donation towards its forestry-related activities. In 2012, we presented the organization with a check for almost €43,000. SDW is a conservation organization dedicated to the preservation of forests. It seeks to educate and improve the environmental awareness of the local community, organizing field trips, forest youth games, forest schools, as well as delivering an active conservation program. More information on this organization can be found at <http://www.sdw.de/>.





At our Widnes site in the UK, we raised money for Breast Cancer Awareness by supporting a 'wear it pink day' and took part in Macmillan's 'World's Biggest Coffee Morning', to raise money for the charity. Employees at the site also donated money to a local hospice. Widnes organizes as one of its safety initiatives a "Near Miss of the Month Competition", which encourages employees to report events that could under other circumstances, have resulted in an accident, so that preventative action can be taken early. The winner of the event then nominates a charity to receive the cash prize. In this way donations were made to a variety of other local and national charities.

The management at our Ellesmere Port site in the UK actively encourage employees, contractors and tenants from the site to participate in a variety of fundraising events. These include on-site book events, raffles, cake sales and charity football matches. In 2012 the site also took part in Movember, a national event where men grow moustaches during November, to raise money and awareness for prostate cancer. These events have been successful in raising much needed funds for various cancer charities and the local Hospice. Employees at the Ellesmere Port site also support the Salvation Army and local women and children's center with a Shopping Trolley Event during the Christmas period each year. Trolleys are placed across the site for people to donate toys, gifts and toiletries, and donations are given to people within the community in need of support at Christmas time.

Community engagement

The team at the Leuna site opened the plant up for visits on several occasions during 2012. Former colleagues were invited to a special tour of the facility in January, allowing them to see improvements that have been made at the site and to share in Innospec's plans for its future development. In September, the site was opened up again to members of the local community, who were offered plant tours. Due to the popularity of the tours, they were organized again two weeks later, allowing our employees to show their friends and family the plant.

For many years, our Vernon site in France has been involved in an organization that provides care and employment support and opportunities to local people with learning disabilities. In 2012, the site continued to provide financial and practical assistance to the organization. Our Herne site, meanwhile, continued to work closely with the local fire department. Over the year, the Herne team organized several fire-fighting practice events at the site to help fire fighters prepare for emergencies and ensure they are familiar with the plant. Our Ellesmere Port team has continued to provide support to a range of local community organizations. This support is not limited to financial assistance; the Ellesmere Port team works closely with community organizations to identify the methods of support it can provide to best fit the needs of the organizations' causes.

Recent support provided by the Ellesmere Port site local groups includes: printing of newsletters/posters; collection of used print cartridges for recycling; and donations of unwanted gifts. In addition, each year the Ellesmere Port management invites members of the local Council and community representatives to its on-site Local Liaison meeting. During these meetings, local community members are updated on Innospec's activities, business plans, and community engagement initiatives.

Education

Our Vernon site was involved in a range of training and employment activities during 2012, as part of its role in GIRV, a group of over 100 companies from the local Vernon area. In partnership with the Rotary Club, GIRV hosted a jobs fair, in which Innospec played a central role. The group also hosted several seminars, with Innospec's support, to educate young unemployed people about key employability skills and life in the workplace.

We offer a range of opportunities to young people interested in a career in the chemicals sector. Several recent school leavers are enrolled on our apprenticeship scheme at our Leuna site, and at our Delaware facility in the US we employed 24 interns in 2012. Our Widnes site also offered practical work experience to two local students.

commitment TO SAFETY



Maintaining the highest standards in process and occupational health and safety is fundamental to the success of our business.

For over two decades we have rigorously analyzed, updated and improved the data we collate following investigations of accidents, incidents and near miss incidents. This comprehensive approach ensures we can learn from past events, and, where necessary, put in place enhanced systems for the future.

Regular audits, annual reviews by senior management, and our management systems have all contributed to Innospec's outstanding safety performance. Our excellent track record in health and safety has been recognized on numerous occasions and we have been awarded a variety of prestigious industry awards.

Process safety

Process safety plays a centrally important role in our approach to sustainable development. We have invested in a number of initiatives to ensure we operate to the highest standards at all times. Three key initiatives we have introduced to ensure any concerns regarding process safety issues are identified and flagged up at a senior level are:

- Process Safety Standards
- Process Safety Performance Indicators
- Process Safety Leadership

Process Safety Standards

We have established corporate Process Safety Standards focused on the control of critical hazards, which fundamentally seek to establish and maintain the basis of safety for all of our processes. These standards cover both the production of existing and new products.

the standards COVER

- A Risk assessment:** to identify hazards and the necessary critical control measures
- B Safe operation:** to ensure that the identified critical control measures are built into operational procedures
- C Management of change:** to ensure that change does not jeopardize the integrity of the critical control measures
- D Safe maintenance:** to ensure that the integrity of the critical equipment and process controls is maintained
- E Accident, incident, near miss investigation and reporting:** to ensure identification of the root causes of events, reduce the chance of recurrence and share learnings across the organization
- F Emergency response:** to minimize the impact of any emergency
- G Competency:** to ensure our staff are trained and assessed as competent before they are allowed to carry out the operations required.

To ensure that these standards continue to be appropriate, we continually review industry best practice and, where necessary, we add or amend to the standards. For example in 2011, we reviewed and benchmarked the site preventative maintenance program at our Ellesmere Port site, using an external specialist company. This exercise revealed the site to be displaying best practice and encouraged us to enhance our global standards on preventative maintenance. In 2012, we developed and began to roll out a new maintenance standard in this area.

In 2013 plants will carry out a gap analysis against the standard and develop any

necessary improvement programs.

Compliance with the corporate process safety standards is monitored by process safety audits. These audits are carried out by our Corporate SHE Director, with assistance from the SHE network of safety professionals across the organization.

These audits measure the compliance of site standards with the corporate standards, the level of implementation, and the awareness of the operational staff on the standards, their contribution to their implementation and the resultant critical control measures. The outcomes of the audits are discussed at executive level at its quarterly SHE review.

Process Safety Performance Indicators (PSPI)

Introduced in 2009, these key indicators monitor all programs and actions targeted at reducing process safety incidents. The transparent, simple system is used to drive ongoing improvements in proactive measures at both local and executive level.

The PSPI monitors the progress of each site's annual programs in the following areas:

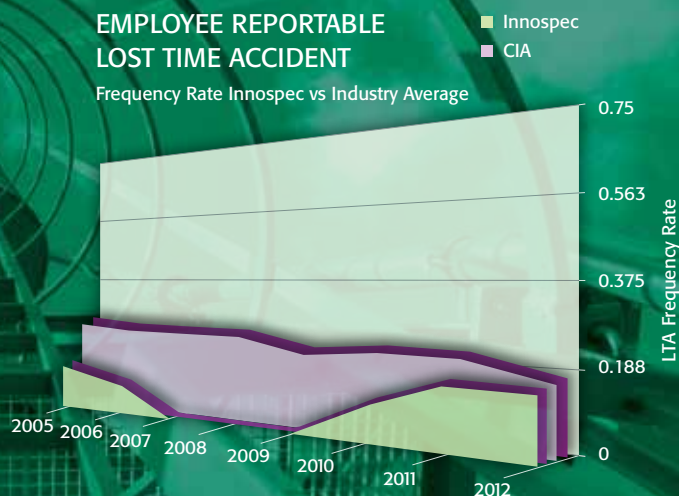
- Risk Assessments
- Safety Audits
- Preventative Maintenance
- Change Control
- Emergency Response
- Competency
- Accident/Incident/Near Miss Reporting.

It also monitors the completion of actions that arise from carrying out these programs. The sites use the PSPI to identify any area that needs more support or focus. Likewise, the executive team reviews all sites' PSPIs at its quarterly SHE review meeting.



EMPLOYEE REPORTABLE LOST TIME ACCIDENT

Frequency Rate Innospec vs Industry Average



Process Safety Leadership

In response to several high profile accidents in other organizations, which led to senior managers being criticized for their leadership and involvement in process safety issues, we introduced our Process Safety Leadership program in 2010.

As part of this program, executive team members who are not directly involved in manufacturing have been trained on crucial aspects of process safety. This training covers: understanding the nature of major accidents; the business importance of their prevention; the key elements of Process Safety Management Systems and how process leadership can be demonstrated through site leadership visits.

In 2012, the executive team requested a refresher in this training which was carried out as an extended part of one of the executive team committee's quarterly meetings. This refresher session covered various elements of the process safety leadership program, including its purpose, requirements and performance measurements.

Our corporate objective is that all sites should receive at least one visit by a trained member of the executive team each year. Due to extra business pressures on the team over 2012 – including extra workloads created by Innospec's acquisition activities – three site visits had to be carried out in the first quarter of 2013.

Since the program's introduction, feedback from the site visits has been overwhelmingly positive. The visits provide an opportunity for both local site teams and executive team members

to review and discuss site-level process safety standards and raise any specific issues that require additional support and resources.

Lost Time Accidents

We operate a comprehensive investigation and reporting system to establish the causes of all accident, incident and near miss events. The procedures we have established as part of this system allow us to quickly and effectively take corrective action and share our learnings throughout the business.

In 2012, we aimed to achieve a zero Innospec Reportable Lost Time Accident Frequency Rate (IRLTFR). As a minimum acceptable standard, we aim to ensure that we continue to perform better than the UK CIA industry average.

In January at our Ellesmere Port site, we had to report an IRLTA when an operator suffered lacerations to his fingers as a result of a fall when preparing equipment for a bagging operation. The injury required minor surgery and, as a result, time away from work. In response to this accident, we reviewed the design of the equipment and made immediate improvements to reduce the risk.

A second IRLTA accident occurred in March, when a maintenance worker at our Leuna plant suffered a broken finger when relocating a heavy pump. Following this accident, we re-emphasized the need to use specialist lifting equipment

when moving heavy equipment within our sites' risk assessment procedures. While both these accidents are disappointing and totally avoidable, our Lost Time Frequency Rate, at 0.14, remains below the industry standard for the UK chemical sector of 0.16. Our goal is always to strive for zero.

Loss of Containment

We are committed to ensuring the safe containment of the process materials we handle at our manufacturing sites.

Following a review of our Loss of Containment (LOC) incident reports in 2012, we decided to improve consistency of reporting across our sites by defining and agreeing a company-wide definition of an LOC event. Due to the introduction of this new definition across our sites, the recorded number of LOC events was expected to, and did, increase in 2012, as more previously unrecorded minor events were captured.

Despite this initial increase in the number of recorded LOC events, we believe that fully addressing the causes of all minor events will allow us to reduce the chances of more serious events occurring.

case STUDY

ENSURING OUR COMPETENCY – IMPROVING SAFETY

In 2010, we launched an initiative to address the number of Loss of Containment (LOC) events experienced by the company.

As part of this ongoing commitment to reducing LOC events, our Widnes site recently undertook an assessment to understand the root causes of containment failure at the plant. A team at the site – led by its SHE and Maintenance Managers – conducted a rigorous historical trend analysis, using the extensive LOC data we collect for each site. This process identified that joint failure in pipework was a key source of the Widnes site's LOC events.

The team analyzed the causes of these joint leakages and identified the maintenance of flanges and gaskets as a potential issue. To ensure the competency of the maintenance crew at the site, the team worked with gasket manufacturer and supplier, Flexitallic, to source and deliver a joint integrity training course.

To examine the potential for common errors in flange and gasket maintenance, the course convenors used a test rig connected to a computer with specialist software. This software provided precise displays of key joint integrity indicators which are impossible to accurately judge without specialist equipment, such as torque rating. By practicing joint tightening using this test rig, our maintenance contractors were able to recognize areas in which they could improve their working practices.

The training also provided a complete overview of best practice in pipeline joint integrity and safety. The course covered, for example:

best PRACTICE

- Correct bolting torque
- Correct installation of gaskets
- Use of correct lubrication
- Correct alignment of pipework
- Inspection and preparation of a flanged bolt connection
- Use, function and selection of gaskets
- Latest gasket standards

Following the completion of the training, all maintenance contractors at the site were also supplied with specialist equipment, allowing them to more accurately gauge torque rating when tightening joints.

In the eight months since the training program was completed there is already evidence of a downward trend in the numbers of joint failures.

One of the key learning points of this activity has been that long service of an individual does not guarantee competency in a specific role. Refresher training, focused on ensuring best practice and core competency, is crucial to ensuring high standards are maintained by our team at all times.





Safety performance recognition

Over 2012, Innospec attained several widely-recognized health and safety awards and achievements. Our High Point site in North Carolina, USA, reached the one million man-hours worked without an IRLTA milestone, representing a period of over 12 years. The site was awarded an Innospec Gold Award for its significant achievement.

Two of our sites were also recognized by the Royal Society for the Prevention of Accidents (RoSPA) and achieved prestigious awards for occupational health and safety. Our Widnes site in the UK was awarded its second RoSPA Gold Medal, in recognition of its achievement of six consecutive Gold Awards from the organization. Our Ellesmere Port site in the UK, meanwhile, achieved for a second time, the prestigious RoSPA Presidents Award, awarded to the site for achieving no fewer than 11 consecutive Gold Awards.

Health and safety training

During 2012, we completed the second phase of our training and competency assessment program at our High Point and Spencer sites in the USA. The program ensures that the operators running the processes are fully competent in all unit operations they control.

We also rolled out a new behavioral safety training program across our sites in 2012, following successful piloting at our Ellesmere Port and Widnes sites in 2011.

The program focuses on the behavioral safety of employees carrying out their jobs, and is designed to help our people understand why accidents occur and what can be done to change the behaviors that lead to these outcomes.

This type of activity cannot be completed as a one-off project, however, and we have developed a series of next steps for this ongoing initiative, to ensure the behavioral safety training our employees receive is constantly added to and improved upon. In 2013, we will be building upon the work we carried out in 2012.

Management systems assurance

Our Widnes site has held the Occupational Health and Safety management system verification, OSHA 18001, for a number of years. Our Ellesmere Port site in the UK joined Widnes in achieving the verification in 2010, followed by our Leuna, Germany site in 2011.

The development of the systems required to achieve this standard has supported the success of our ongoing drive for continuous improvements in the safety and health of all our manufacturing operations.





environmental IMPACT

Taking steps towards reducing our footprint. **Measuring the impact we have on the environment is critical in finding ways to reduce it.**

We believe that many of the products we make are essential to the modern world. We also recognise we have a responsibility to ensure they are produced in the most resource-effective way possible and with due regard to environmental issues.

A driving force behind our business is the desire to understand our impact on the environment at all levels. Regular reviews of operations at all sites seek to uncover opportunities for us to improve as new technology and ideas become available.

Innospec INITIATIVES

- We encourage all staff to contribute ideas to improving our operations and commit significant investment and resources to making the changes required to limit our impact.
- We measure our impact in four key areas: greenhouse gas emissions, energy use, water use and hazardous waste produced.

In 2012, we reviewed our approach to collecting and reporting data to ensure consistency across all sites. We recognized that our Ellesmere Port site receives an increasingly significant amount of product for repacking and onward distribution, sometimes after blending operations, to our customers and blending sites around the world.

To ensure that we take account of these types of activities in the monitoring of our environmental footprint, we have now included this activity in the calculation of our current and historical production data.

Greenhouse gas emissions

In line with the recommendations of UK regulators and respected independent research on the topic of environmental stewardship in chemical production, we measure greenhouse gas generation according to the Greenhouse Gas (GHG) Protocol. Developed by the World Resources Institute and the World Business Council for Sustainable Development, the Protocol provides the accounting framework for the majority of GHG standards and programs in the world.

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, Food and Rural Affairs (DEFRA) based on the GHG Protocol.

Since 2010 we have used the DEFRA guidelines and applied them to data so that trends can be shown. The figures take account of the type of fuel used for on-site combustion processes and the source of the electricity used for on-site purposes.

In 2012, our Greenhouse Gas equivalent per tonne of product fell by 13%. Since 2006, it has reduced overall by 52%.

Energy use

A number of interesting initiatives at our sites around the world have led to a decrease in our energy usage per tonne of product of 12% since 2011. For example

our Leuna site has introduced an online energy management system for constantly monitoring energy (electricity, steam and natural gas) usage. This enables them to identify opportunities for energy saving measures. These have included:

- Timers being installed as a reminder to shut off pumps
- Frequency inverters being fitted to pump motors to make them able to match power with demand rather than have a constant output
- Use of LED and other low energy efficient lighting systems.

This global mindset of conserving energy has led to a 43% reduction in energy usage per tonne of product since 2006.

Water use

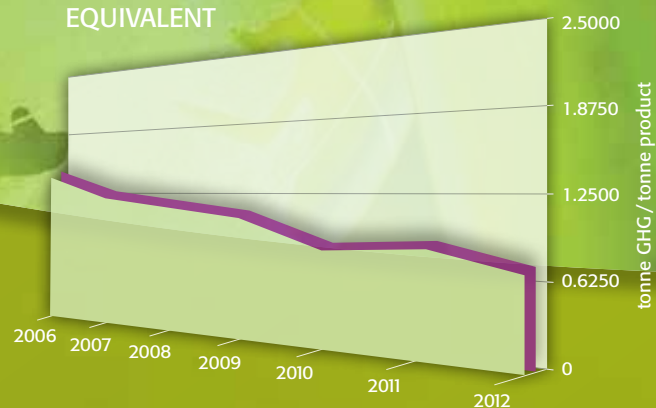
We have been able to reduce the amount of water we consume per tonne of product by 14% since 2011 and by 65% since 2006. Contributing factors include monitoring more closely and regularly how and why we consume water and focusing on making our cooling plants as efficient as we can. At our Widnes site, work has been done on reducing and eliminating steam and cooling water leaks, implementing longer campaigns to reduce the frequency of campaign changes and associated cleaning operations. In Leuna, analysis of the operating mode and design of the cooling plant has been carried out, with improvements having been made, such as developing winter and summer operating modes for the cooling plant rather than having one mode of operation that takes no account of actual climatic conditions.

Hazardous waste

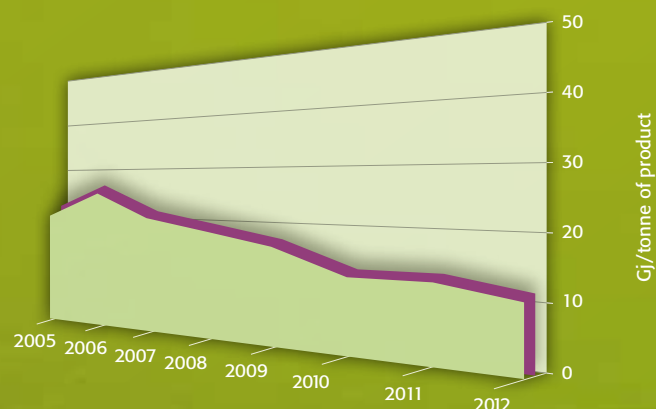
Hazardous waste per tonne of product was reduced by 22% since 2011 and 44% since 2006. At Widnes, the team were able to reclassify hazardous waste as non-hazardous so it could be sent for treatment rather than disposal by incineration. This helped reduce the hazardous waste per tonne of product leaving the site by 35%.

Overall, we are making significant improvements to our operations around the world to ensure that we understand what contributes to our environmental footprint and identifying viable options for its reduction.

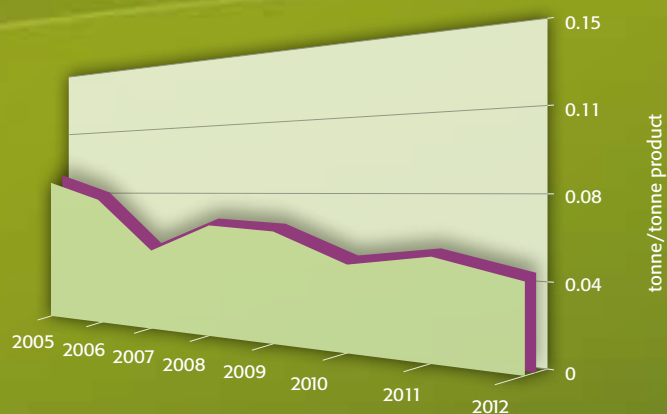
GREENHOUSE GAS EQUIVALENT



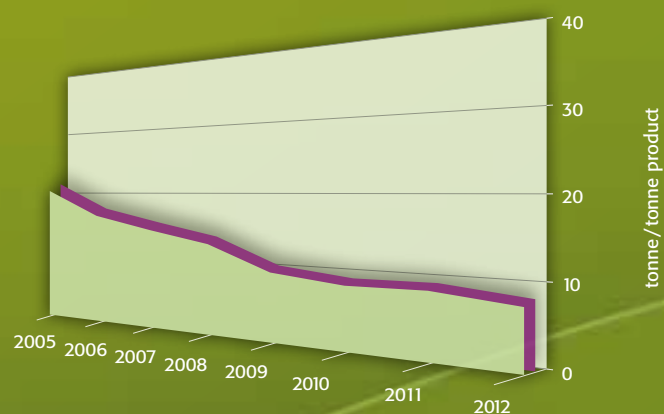
ENERGY EFFICIENCY



HAZARDOUS WASTE



WATER USAGE





It is our stated objective to ensure all our sites have an externally verified environmental management system. We expect to meet this objective by the end of 2013.

Environmental management

Several of our sites have been awarded with the internationally recognized environmental management standard, ISO 14001.

This system demonstrates an organization's commitment to maintaining an effective environmental management system (EMS). The objective of the standard is for an organization to establish an EMS that is integrated with the overall business management process. Elements of the EMS include: environmental policy planning, implementation and operation, checking, and management review. Integral to the model is the concept of continual improvement of the EMS.

ISO 14001 is held by the following of our sites, all of which retained the standard following external audits during 2012:

- Ellesmere Port, UK
- Widnes, UK
- Herne, Germany
- Leuna, Germany

In the USA, our North Carolina sites are expected to obtain ISO 14001 in the third quarter of 2013. Our Leuna site is also accredited to ISO 50001, the energy efficiency standard.

Following an extensive period of review and consultation, our Vernon site in France has decided that ISO 14001 is not the most appropriate externally verified environmental management system for its smaller manufacturing operation. The site has instead sought verification from its trade association, the Union des Industries Chimiques (UIC). In 2012, UIC audited the Vernon site and confirmed that it met the requirements for its Responsible Care Management System standard.

This standard requires an integrated, structured approach to improving company performance in the following key areas: community awareness and emergency response; security; distribution; employee health and safety; pollution prevention and process and product safety. Vernon will be awarded with a verification certificate in 2013.



**CREATING
A SUSTAINABLE
BUSINESS**





case STUDY

SAVING RESOURCES, PROTECTING THE ENVIRONMENT

As part of our commitment to decreasing the impact of our environmental footprint, we are constantly on the lookout for ways in which we can reduce the resources we use.

At our Leuna site in Germany we recognized that a significant proportion of the waste for disposal we created at the site was non-hazardous. By looking for ways to separate the residual waste at the plant and analyzing possible usages for the non-hazardous elements, the site was able to reduce its annual waste per tonne of product for disposal by over 50% between 2009 and 2012.

responsible PRODUCTS

Delivering responsible products. At Innospec, responsible product stewardship is a key element of our business operations and culture, and plays a central role in our commitment to sustainable development.

We are focused on understanding the environmental impact and maximizing the health and safety credentials of our products at every stage in their lifecycle – from design and manufacture through to distribution, use and disposal.

Our ongoing product stewardship program has been designed to ensure that our portfolio of specialty chemical products are managed and controlled safely and responsibly.

REACH intends to achieve its goal by requiring businesses to fully ascertain the risks posed by the use of chemicals and to define in detail exactly how to safely use, classify and label a chemical. With a few exceptions, anyone that makes or imports a chemical substance into the EU above one tonne per year will need to register it with the European Chemicals Agency. This involves producing a dossier of information in collaboration with other manufacturers and importers demonstrating that the substance in question is fully tested and all risks properly assessed.

Recognizing that REACH would be one of the biggest single programs of work Innospec would have to undertake over the next ten years, we established a small team to address the implementation requirements of the legislation. We completed the pre-registration stage of the scheme, involving over 600 chemicals, in December 2008, and submitted registration of all substances required under the first phase ahead of its November 2010 deadline.

In 2012, Innospec continued to prepare for the May 2013 deadline of the second registration phase of REACH. Over the year, we worked towards registering all substances we manufacture or import within the tonnage band specified under phase two of the scheme (substances manufactured/placed in the EU in quantities between 100 and 1,000 tonnes), as well as updating our existing registration documents as appropriate.

We work closely with our suppliers to ensure they understand their role in REACH and make sure that they meet their obligations in the products they sell to us. Our collaborative approach ensures all the products we place on the European market are completely REACH compliant.



The European Union regulation for the Registration, Evaluation and Authorization of Chemicals (REACH), which entered into force on 1 June 2007, has one key central aim: to protect human health and the environment from the risks arising from the use of chemicals.

In 2012, Innospec continued to prepare for the May 2013 deadline of the second registration phase of REACH





Ecoclean® program

Our Ecoclean® program is focused on developing products which offer specific sustainability benefits across their lifespan, without compromising on functionality or ease-of-use. These benefits may be derived from a product's performance in use and / or through the environmental characteristics of its manufacture.

The Ecoclean® program evaluates and categorizes products according to two criteria: performance and sustainability. We assess and publish the carbon footprint, renewable carbon index and biodegradability of our products. This information ensures that we are able to provide clear and transparent sustainability information to our customers, helping them to make informed decisions about their own product development and potential downstream improvements.

Many products carrying the Ecoclean® branding offer a combination of both improved environmental performance in use and reduced reliance on scarce raw materials, providing improved lifecycle sustainability. Our DCI-11 corrosion inhibitor, for example, not only helps reduce CO₂ emissions when used to treat gasoline, it also boasts a renewable carbon index of 68 per cent.

In 2012, we officially launched the Ecoclean® program and formally introduced it to our customers. The initiative has already met with approval from a number of our sustainability-conscious partners. For example, two transit authorities in the US have specified that their suppliers provide fuels that contain Ecoclean® additives.

This means that, regardless of the fuel supplier for these transport authorities, the fuel provided must contain Ecoclean® - profiled additives.



We continue to refine and extend the program, and are currently working in partnership with our customers to understand which product measurements are of most importance to them in assessing the overall sustainability of our products.

Validation Statement 2012

Methodology

SKM Enviro has conducted an independent validation of the 2012 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

During 2012, Innospec has continued to develop the coverage of their SD report, through the inclusion of additional information on employee diversity and employee investment and incentivisation programmes. The inclusion of this information demonstrates Innospec's continued commitment to strengthening their SD report and their progression towards comprehensive coverage of SD issues.

Innospec's commitment to SD was further reinforced in 2012 through the undertaking of an SD workshop. This workshop included members of the established SD network, set up in 2010 and was used to identify and confirm Innospec's material SD issues and stakeholders and to develop an SD action plan framework. This has allowed Innospec to present its key sustainability focus areas in the 2012 report. Innospec is now moving onto the implementation phase of the framework and strategy. We would hope to see the strategy progressed in 2013 together with performance metrics to enable Innospec to monitor and measure progress against their vision. Future reports can then present progress against the performance metrics to further demonstrate Innospec's commitment to SD and improved performance.

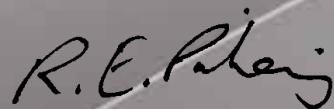
Stakeholder engagement on reporting issues remains largely limited to selected internal stakeholders. To ensure that the report remains relevant to changing needs and expectations of all stakeholders, we would encourage Innospec to undertake engagement with external and internal stakeholders identified through the SD strategy development work.

The data collection systems used for SD performance information are generally consistently and robustly applied, although there still remains a reliance on manual transposition of data for the SD report. We have been able to obtain assurance in terms of the SD performance data, with any data anomalies identified being resolved.

The SD data collation process would benefit from the use of formalised internal guidelines which set out methodology for SD data collection. If implemented, such guidelines would provide consistency in data reporting approaches and address the current risk of reliance on key staff. It is expected that the implementation of the SD framework and strategy will give clarification on data collection requirements and reporting responsibilities which will improve ownership of SD issues within the business.

We acknowledge that changes to product manufacture, batching and formulation have an impact on site resource use and ability to show comparable annual trends in resource efficiency. However, we recommend that Innospec reviews how these specific issues are reported within the SD report with consideration of reporting at an amalgamated business level supported by site level 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.



Rachel Pickering
Project Director, SKM Enviro



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Further details on Innospec, our products and services can be found on our website. If you would like to provide feedback on any aspect of this report then please visit www.innospecinc.com/get-in-touch