



Sustainable Development

REPORT **2013**

The journey continues

sustainable development REPORT



75 years of innovation, commitment and sustainability



This, our 15th annual Sustainable Development Report, provides a detailed overview of our activities relating to sustainability.

Since our foundation 75 years ago, Innospec has evolved significantly. During this time, we have worked to dynamically adapt to different industry challenges and secure a leading position in our chosen markets. In recent years, we have undergone a transformation to become a business which not only provides our shareholders with a good return on their investment, but is also committed to responsibly managing the environmental impact of our activities. The attitude and behavior of our people is fundamental to making this possible and we place a strong emphasis on ensuring they have the necessary systems, processes and training to meet our high expectations. Every year we continue to monitor, evaluate, rethink and improve wherever we can so that our people and partners are driven to achieve the highest possible standards in all their activities.

Our business

In recognition of our milestone 75th anniversary, we undertook a number of activities in 2013 which reaffirm our long-term commitment to continuous improvement and development.

We reinforced our ambitious growth strategy through the acquisition of the Bachman Group and the Chemsil Group into our business, to improve our presence and offering in the Oilfield and Personal Care markets respectively.

The launch of our legal entity in Moscow and expansion of our existing team in Brazil supported the growth in our Fuel Specialities (including Oilfield Specialities) and Performance Chemicals divisions. Additionally in 2013, we strengthened our digital communication through the launch of our new website, www.innospecinc.com, which enables us to provide our customers with:

- an enhanced user experience
- clear, relevant information to select the best solution for their needs
- direct access to our full range of products and services

In 2013 we officially launched our new enterprise resource planning system (ERP) to our US business operations. This new state-of-the-art ERP provides us with a common, efficient and dynamic company information system. It will be used to process and control all our transactions as well as storing all of our critical business information. The ERP system will eventually be implemented at all our facilities and operations across the world.

Our people

Our people are at the heart of our business. We pride ourselves in the dedication and expertise of our employees and operate in a fair, transparent and respectful way to provide them with the opportunities to maximize their potential.

During 2013, we put in place several initiatives to provide further support and encouragement to our team. For example, we launched internal training schemes such as a leadership development program, created in partnership with an external consultant to develop the Innospec leaders of tomorrow and ensure our sustainable management

in the future. Recognizing the performance of our employees and rewarding their achievements are core priorities for our company. We invest in excellent reward schemes which allow all our employees to share our financial success. For example, in 2013, options vested in our Sharesave scheme. This scheme allowed employees to save money over a set period of time and, at the end of the program, either withdraw it or invest in Innospec stocks at a discounted rate.

The investment we make in our workforce is reflected in the loyalty and dedication of our employees. In 2013, 44% of our team had been with the company for over 10 years.

Preventing any accidents from occurring 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. In 2013, our Herne plant in Germany reached a 10 year milestone without an Innospec Reportable Lost Time Accident (IRLTA). 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 their occupational health and safety performance and initiatives.

Our relationships

The way we engage with the communities in which we work and operate also plays an important role in enabling us to achieve our goal of becoming a truly sustainable company. In 2013 we continued our partnership with the PenFed Foundation Military Heros® Fund in the USA by hosting our annual golf fundraising event, raising almost US\$75,000.



We also took part in a number of local community initiatives. In the UK, employees at our Ellesmere Port and Widnes sites took part in a cycling and running event to raise money for charity. Whilst our Herne site in Germany made a donation to the German Association for the Protection of Forests and Woodlands (SDW) for every liter of Ecotherm® Futur 2 sold.

Our impact

For many years we have consistently evolved our approach to sustainable development, with the ultimate ambition of meeting and exceeding industry and stakeholder requirements.

In 2013, we created a new role of Sustainable Development Manager to provide additional resources to the development of the next stages of our strategy. We also identified a number of key areas of immediate interest for moving our strategy forward, including the sustainable sourcing of palm oil and the impact of climate change. As a direct result, we have become a member of the Roundtable on Sustainable Palm Oil and are taking steps to participate in the Carbon Disclosure Project's climate change program.

We continuously measure our impact on the environment in four key areas: greenhouse gas emissions (GHG), energy use, water use and hazardous waste produced. In 2013, we undertook historical recalculations of our GHG figures – backdated to 2006 – following significant revisions to UK Government reporting guidelines. Based on these realigned figures, our GHG equivalent per tonne of product has fallen by 55% since 2006.

Products

In line with our commitment to sustainability, we have closely collaborated with our customers to strengthen the environmental credentials of our Finsolv® range. Following the publication of the 7th Amendment to the EU Cosmetic Directive, which restricted the amount of benzyl benzoate that cosmetics can contain, we worked to enhance and reformulate the composition of the Finsolv® range to help customers meet the new requirements without compromising product performance.

A successful year

2013 has been a successful year for Innospec. We delivered strong business growth and further reinforced our commitment to the sustainability of our activities. This report highlights our main achievements in the year and outlines the activities which will help us continue our journey in 2014 and beyond.



Patrick S Williams
President & Chief Executive Officer



strong heritage **EXCITING FUTURE**

Innospec is a leading specialty chemical company which is driven by strong values, a dedication to innovation and a fundamental focus on meeting the requirements of our customers.

We are committed to developing new and improved products, technologies and services which allow us to maintain a strong position in the markets we serve while delivering excellent shareholder value. We employ approximately 1100 people around the world and have a global turnover of US\$819m.

Strong heritage

We celebrated a special anniversary in 2013, marking 75 years since the foundation of the company. Over that time we have completely transformed from a business that manufactured just one product to a multi-market, dynamic and innovative organization.

Our most important achievement has been our foresight and ability to adapt with the times and secure the future of our business in a fast moving world. We are proud that we have created a sustainable and stable business that is well positioned to continue making a positive contribution to our society for many years to come.

Global reach

Our forward thinking and ambitious strategy has seen us rapidly expand our geographical presence and cultural diversity. Today we are a truly international company, with bases in 20 countries providing products to customers throughout the Americas, Europe, Middle East & Africa and Asia-Pacific. Our corporate headquarters are located in Englewood, 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, testing laboratories and research sites.

Over 2013, we demonstrated our ambitious growth strategy by announcing a new Russian legal entity in Moscow. This new entity consolidates our presence in this important and fast growing market. In Latin America, meanwhile we expanded our team in Brazil, marking a significant development in the long-term growth strategy in that region.

In addition, we actively seek out acquisition opportunities which can help our business grow in a sustainable and customer-focused manner. In 2013 we added the Bachman Group to our business to further build our presence in Oilfield Specialties and also added the Chemsil Group into our Performance Chemicals business, complementing our existing Personal Care offering.

Forward-thinking

To ensure our future is as bright and exciting as the last 75 years, we never stand still or settle for the status quo. Our aim is to be recognized in our chosen markets as the leading provider of innovative specialty chemicals, delivering value to our customers and shareholders.

We use our extensive technical expertise in the markets in which we work to deliver a range of value-added options which 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.

Values driven

Although we are a fast expanding business with operations across the globe, we are united as one team by the values and commitments we share. These core values and commitments are engrained in everything we do and play a crucial role in driving us forward in a sustainable way.

For example, 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.



Overall
sales turnover
in 2013 of
US\$819m

With net
income up
16% to
US\$78m

Gross profit
up almost 8% to
US\$255m

Future proofing

In 2013, we introduced a number of important new initiatives and processes to support us as we continue to grow and expand the services we offer.

To ensure that our digital presence is fully representative of our business today, we launched a new company website during the year. The website can be viewed at: www.innospecinc.com. With a cutting edge design, the new website provides users with simple and direct access to our products and services in all the markets we serve. The dynamic website enables us to engage directly with customers and wider stakeholders with fresh, interesting and relevant content.



Since 2010 we have worked towards implementing a new state-of-the-art enterprise resource planning system (ERP) to process and control all our transactions as well as store all our critical business information. In 2013 we successfully introduced AX-based information management system across our existing US operations. Following a successful transition period, we are now turning our attention to rolling the system out across our EMEA and ASPAC sites – with the aim of integrating our entire business within the same platform.

Research focused

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. Expenditures to support our R&D services were US\$21m in 2013, US\$20m in 2012 and US\$18m in 2011.

Strong performance

Innospec continued its strong trading performance in 2013, posting yet another set of solid financial results. Overall sales turnover was up 5% to US\$819m (from US\$776m in 2012) and our net income rose 16% to US\$78m (from US\$67m in 2012). With good revenue streams and a strong cashflow, we are economically sustainable and well placed to continue growing. Our financially stable position also ensures that we can continue to make a positive contribution for many years to come.

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

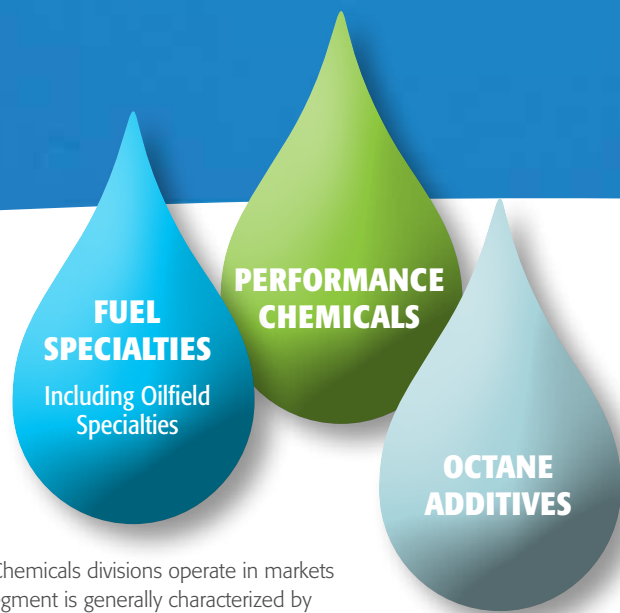
The profitable management of creativity

People

Our people making the difference makes us successful

our business UNITS

Innospec operates in three core business segments:



Our Fuel Specialties (including Oilfield Specialties) and Performance Chemicals divisions operate in markets where we actively seek growth opportunities. The Octane Additives segment is generally characterized by a volatile and declining demand due to the global phase-out of leaded gasoline which we support.

Fuel Specialties

With annual sales of US\$567m globally, our Fuel Specialties division is one of the largest dedicated providers of fuel additives in the world. Our customers in this segment include multinational and national oil companies, fuel retailers, pipeline and terminal operators. We develop, manufacture, blend and supply a range of specialty chemical products used as additives in a wide range of fuels. Our products in this segment include detergents, cold flow improvers, stabilizers, antifoulants and combustion improvers. They help improve fuel efficiency, boost engine performance and reduce harmful emissions.

We invest in developing innovative products which address key drivers in shaping demand for fuel additives, including changing engine technology, energy pricing, and legislative developments. Our understanding of our customers' requirements, alongside our extensive R&D capabilities, allows us to generate cutting-edge products for improving engine performance and fuel efficiency. Our products in this segment help to improve the environment. As such we consider our competitive edge to be our proven technical development capacity and developing strong long-term relationships with customers.

2013 was another successful year for Fuel Specialties business, with global sales up 8%. A new global marine team was launched to support our growth in this exciting market and the division also celebrated the 30th anniversary of its STADIS® line of static dissipater additives. A special campaign was developed to highlight the pedigree and the trust in our STADIS® portfolio.

A key element of the campaign was the launch of a microsite to reinforce the message that STADIS® has been tried, tested and trusted for 30 years and highlight the excellent safety record and performance credentials of the product. The microsite can be viewed at: www.stadis.us.com.

Oilfield Specialties

Launched in 2010, our Oilfield Specialties business is quickly growing into a distinct business operation in its own right, although managed and reported financially as a sub section of the Fuel Specialties division. This part of the business provides market-leading additive technology to reduce mud losses in drilling operations and to assure product flow and asset integrity in oil and gas production operations.

Following the acquisition of Strata Control Services, Inc in 2012, this year saw Oilfield Specialties continue its expansion with the acquisition of the Bachman Group. This Oklahoma City based business is an innovative leader in the oil and gas industry and employs around 120 people. The acquisition was a key part of our strategy in this sector and will provide the platform for the division to expand its footprint in North America, as well as establish sales across Europe, Middle East, Africa, Asia Pacific and Latin America. As we grow this segment of our operations, we continue to actively pursue other opportunities for expansion.





Performance Chemicals

With annual sales of almost US\$200m, our Performance Chemicals division produces high quality specialty chemicals for the personal care, aroma chemicals and polymers markets. The markets in which we operate are typically driven by consumer demand, such as increasing expectations for improved performance and more natural and environmentally friendly solutions in shampoos, cleansers and sunscreens.

In this business segment we pursue a dual strategy of creating 'greener' high performance products while also increasing and diversifying our portfolio. Our products can help customers improve their processes and formulations to create exciting new products. We develop a variety of products to meet demand for gentler products, such as our Iselux® range. This range of mild, sulfate-free surfactants first went on sale in 2009, offering formulators new opportunities to develop high foaming, crystal clear, gentle personal care products. The line has gained market share rapidly, and has been expanded to offer new optimized blends that enable the production of even more specialized sulfate-free personal care products.

In addition, our Performance Chemicals division made a key strategic acquisition in 2013, of the Chemsil Group, enabling us to offer an unrivalled range of customized personal care solutions. Chemsil's high-quality specialty silicones complement Innospec's extensive range of personal care ingredients to deliver creative formulation solutions.

Our strategy of continuously expanding our portfolio through both new product development and strategic acquisitions has enabled us to not only support customers in developing innovative products but also to expand the segment over subsequent years.

Octane Additives

As well as being used globally in aviation gasoline tetra ethyl lead (TEL) is bought by one country for use in motor gasoline. Sales for TEL represent less than 8% of our total sales.

We continue to responsibly manage the decrease in sales of TEL for use in automotive gasoline, using our extensive market knowledge to support the smooth transition to unleaded gasoline. The end of this business will mark a key transition for Innospec to a greener, more environmentally-friendly company.

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.



the ethics of business SHAPING OUR VALUES

Total compliance with corporate governance and business ethics is a core part of Innospec's values.



Screenshot of PinPointsSM environment

We set high standards of ethical integrity for ourselves as a business and continually invest in our people to ensure we can fulfil our commitment to these values in all of our business operations.

As a company with a global presence, our actions are subject to a variety of ever-more stringent regulations and codes of practice, including the US Foreign Corrupt Practices Act, the UK Bribery Act and local anti-bribery laws. Furthermore, as a company working actively in the chemical sector, there are additional industry codes of practice to which we must adhere. Abiding by these regulations is a non-negotiable requirement of our business.

At Innospec, our core values and commitments are intrinsic to everything we do. We understand this means more than simply adhering to a set of policies. That's why we have invested extensively to guarantee that compliance and accountability are firmly embedded in every aspect of our daily business routine. Today, conformity with our code of ethics and corporate governance policies is central to all of our operations.

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 ambitious corporate governance needs.

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 an integral part of our compliance program, our Code of Ethics is also periodically reviewed and updated to ensure it remains in line with the high ethical standards we strive to maintain.

In 2013, for example, we revised our Gifts, Hospitalities, Charitable Contributions and Sponsorship Policy in order to streamline and strengthen our processes for reporting the provision or receipt of gifts, meals, hospitalities, charitable donations and sponsorships. These revisions were made in order to clarify and simplify the current policy for employees.

Training

As a key element of our Enhanced Compliance Program, we introduced a company-wide training regime in 2008 to educate employees on our compliance policies and ensure they maintain the highest ethical standards at all times. Operated in partnership with SAI Global, the program is designed to ensure employees are fully aware of our commitment to compliance and their requirement to operate in accordance with the Code of Ethics and Anti-Corruption Policy. In 2011, we extended the program to include all agents and third-party representatives.

New online modules covering a wide range of ethical and critical issues are provided by SAI Global each year to ensure our training remains entirely up-to-date. This program is continually expanding and regularly reviewed. In 2013, for example, we further developed training via PinPointsSM. These are short, engaging photos and animations which are designed to raise awareness and understanding of these issues.

Simple to complete, taking no more than five minutes, PinPointsSM are structured to fit in easily with the day-to-day activities of our employees.

Involving over 900 Innospec employees and over 300 third parties, our training modules are released between two to four times a year.

The courses are available in a range of languages to enable the majority of our employees to complete the training in their native language. These include: English, French, German, Italian, Russian, Portuguese and Chinese. Further translations are made available as required for specific third parties.

OUR INTERACTIVE TRAINING MODULES INCLUDE:

- Code of Ethics
- Antitrust Contact with Competitors (US)
- Global Competitors Principals and Practices (non-US)
- Global Export Controls
- Sarbanes Oxley and Internal Business Controls
- Records Management
- Prohibited Countries PinPointsSM
- Fraud and Business Integrity
- Conflicts of Interest
- Intellectual Property and Competitive Intelligence
- Trade Compliance
- Combating Bribery in Business
- Insider Training
- Facilitation Payments

IN ADDITION THE FOLLOWING COURSES WERE ADDED IN 2013:

- Code of Ethics – 2013 update
- Anti-bribery: Dealing with Government Officials PinPointsSM
- Insider Training: Inside Information PinPointsSM
- Ethical Corporate Culture PinPointsSM
- Accepting and Providing Gifts and Entertainment PinPointsSM



In 2013, we achieved a 99% completion rate for employees who were required to take the training and were not on long-term illness or maternity leave. Any remaining employees will be covered early in 2014.

Roles & responsibilities

In order to track and oversee our full compliance with business regulations and corporate governance, we have built an extensive team of experts who work both internally and externally to advise on issues such as anti-corruption measures. Our network of corporate compliance specialists involves various lawyers and legal firms tasked with different responsibilities.

The external individuals and entities we work with in this area have many years of experience in compliance and help us to support our company-wide drive for full adherence to business and governance compliance.

In addition, we are also represented in matters relating to compliance advice and due diligence matters by our Legal and Compliance Team (L&C), an in-house team of lawyers and compliance professionals. In 2013, we welcomed a new Senior Counsel to the team.

Our compliance policies, procedures and controls are monitored by a Compliance Steering Group, comprising of Innospec's Chief Compliance Officer, Head of Business Assurance & Senior Business & Purchasing & Supply Chain representatives. Our Board of Directors has ultimate oversight of all compliance issues, which are tabled as a standing agenda item at its quarterly Board 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. 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 2013, no use of this system was recorded.

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.

In order to ensure our company-wide ethical integrity is shared by all third parties, we screen all potential suppliers using compliance software to ensure they are not currently on any global sanctions or debarred lists. All matches and possible non-conformances are then sent to our L&C team for further review.

Additionally, 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. The process is undertaken in every country in which we operate. As with internal procedures, we pursue 100% completion rates in the training module we ask our third parties to undertake. Where the training is not completed in a reasonable timeframe, we put the business on hold.

We have placed a number of third party accounts on hold in 2013 pending investigation or for other compliance reasons. For example, we conducted an investigation which led to the termination of a third party in 2013, while others have also been terminated for compliance-related reasons. A number of additional relationships have been put on hold for lacking timely completion of due-diligence, for not completing training or for failure to comply with the ethical standard and behaviours verification requirements of TRACE International (a not-for-profit independent membership compliance organization).



our approach to SUSTAINABILITY

Sustainable development is central to how we grow as a global specialty chemicals business and is one of our four key company values.

Our commitment to sustainable development is demonstrated by our adoption of the highest standards of corporate governance and accountability.

With an emphasis on ensuring today's success is not at the expense of future generations, we continuously strive to evolve our approach and improve performance. Our approach is underpinned by a set of key commitments we made many years ago and which remain embedded in everything we do:

- We are committed to developing innovative products that provide technical solutions for our customers while having due regard for environmental issues in manufacturing and product performance
- We aspire to lead the field in the safety and health of our employees and of our supply chain partners
- We want to make sure that our people and partners act responsibly and in compliance with legislation
- We share our values with our stakeholders

Targets and objectives

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

At site level, targets are further communicated by line management, and built into individual employees personal objectives. 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 evolution

Sustainable development has been a key focus of our business for many years. We have steadily and consistently evolved our approach with the ambition of meeting and exceeding industry requirements and the expectations of our stakeholders. We are committed to informing and engaging interested parties both internally and externally regarding our activities, objectives and investments in this area. We have produced an annual report covering elements of sustainable development since 1999 and proactively work with external experts and key stakeholders to help us define and meet our targets.

In 2010, we created a Sustainable Development Network to review our sustainability approach and to develop a coherent global strategy to move our business forward over the next 10 years. The remit of the group was wide, with the objective of considering everything from how we manage safety, through to our community engagement activities and environmental impact measurements.

To facilitate the review, a workshop was held in 2012 in collaboration with strategic consulting experts, Sinclair Knight Merz (now Jacobs). The workshop identified industry best practice with input from both internal and external stakeholders.

A key output of the workshop was the identification of a potential framework covering six core sustainability themes for further consideration. They are:

SITES

To identify opportunities that reduce the environmental and social impact of sites and seek to ensure locations are positively engrained within their local communities

PRODUCTS

To identify opportunities that continuously improve product performance, particularly with respect to preventing harm to human health and the environment, as well as reducing the use of natural resources

SUPPLY CHAIN

To identify opportunities that reduce the environmental footprint of the supply chain and to ensure it adheres to all relevant legal, ethical and social responsibility requirements

THE WORKPLACE

To always behave in an ethical manner, ensuring the health, safety and welfare of and to nurture and support employees, and to respect the culture and rights of all individuals

COMMUNICATION

To produce transparent, timely and clear communications which help foster a one team ethos and allow meaningful engagement with wider stakeholders

GOVERNANCE

To monitor and review activities related to sustainable development



In 2013, we recognized the need to invest in additional resources to support and focus the development of the next stages of our sustainable development strategy. We therefore created and appointed a new role of Group Sustainable Development Manager.

The Group Sustainable Development Manager has been tasked with coordinating and engaging with both internal and external stakeholder groups to help us better understand their expectations of how we should operate as a successful global specialty chemical business. Based on these learnings, we will be better positioned to develop company objectives which will formalize our strategy and help us allocate resources to best meet our agreed priorities.

We are working toward embedding a business-wide sustainability strategy which is aligned with strategic corporate objectives and recognizes key stakeholder requirements.

Listening to our stakeholders

We work closely with internal and external stakeholders to move our sustainable development strategy forward, in 2013 we have identified a number of key interests, such as the sustainable sourcing of palm oil and palm oil derivatives and the impact of climate change.

In 2013 we became a member of the Roundtable on Sustainable Palm Oil (RSPO). Established in 2004, this not-for-profit organization promotes the growth and use of sustainable palm oil products through credible global standards and stakeholder engagement. See www.rspo.org for further details.

Palm oil based materials are used in a number of our personal care products. We have begun to engage with our suppliers with the aim of obtaining palm oil and palm kernel oil-derived materials that are from RSPO certified sources and companies.

We also initiated steps to participate in the climate change program established by the registered charity the Carbon Disclosure Project (CDP). This organization works with thousands of companies around the globe, aiming to transform the way the world does business to prevent dangerous climate change and protect natural resources. Through the organization's data collection and reporting systems, businesses and investors are better able to mitigate environmental risk, capitalize on opportunities and make investment decisions that drive action towards a more sustainable world. For further details see www.cdp.net.



the innospec team OUR BIGGEST ASSET

Our people make the difference. The hard work, skills and expertise of our team are key differentiators which help us stand out from our competitors and ensure our long-term success and sustainability.

In return for what our people bring to Innospec, we place a strong emphasis on what we can give back to them. We therefore place great importance on looking after, supporting, training and communicating with every one of our team members across the globe.

Fairness, dignity and respect

The fair treatment of individuals is one of our core values. 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, to respect each other's ideas and to help our colleagues realize their full potential.

Our core values are upheld by a set of Global Human Resources policies. These 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 transpose these global policies into local policy frameworks which reflect local laws, ensuring that we all adhere to the same core values while respecting local cultural variances.

Our workforce

We understand that the diversity of skills and creativity provided by our geographical and cultural mix is an important component of our success as a business. We therefore endeavor to promote and foster this wherever possible by providing localized development and training opportunities tailored to local needs.

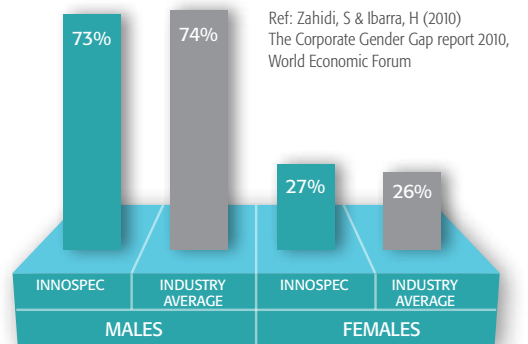
We are also an equal opportunities employer, and benefit from employing people from a wide range of backgrounds.

Career development

Our policies provide a framework for the way that performance and development is managed throughout our business. We help employees identify and develop

their skills and knowledge by focusing on agreed targets and individual development plans. We also support people who want to train for a different role but stay within the company.

We provide a wide range of training and career development initiatives. What's more, we work with employees on a one-to-one basis to develop tailored career progression plans. These offer opportunities for people



We have around 1100 employees in 20 countries over 5 continents

We have employees in:

- Austria
- Brazil
- Canada
- China
- Cyprus
- France
- Germany
- Greece
- Hungary
- India
- Italy
- South Korea
- Russia
- Singapore
- South Africa
- Spain
- Switzerland
- UK
- UAE
- USA



to propose external training options they believe will help them develop new skills to support their career.

A number of members of our finance team, for example, have undertaken a range of external training courses to develop their expertise, including courses run by financial experts such as Deloitte, Ernst & Young, PwC and KPMG. In addition we have also funded the studies of several individuals towards career-enhancing qualifications.

Leading the Next Generation

Throughout 2013, we have reinforced our commitment to supporting the career development of our people in several ways.

At the end of 2012, we identified the need for a Leadership Program. This was to initially support internally-promoted new Sales Directors in their roles, in order to develop and further their existing leadership skills, helping them to use their industry experience in a new position.

As the program was being developed, its scope was expanded to include all of Innospec's business disciplines and geographical locations.

Recognizing the need to identify and develop the leaders of tomorrow to ensure the sustainable management of the company in future generations, the 'Next Generation' concept was born. A group of 13 employees across a range of departments and locations were selected to take part in a specially devised training scheme developed in partnership with an external consultant.

The program involves a range of training days, one-to-one consulting sessions, and a range of workshops using both real-life and constructed scenarios, as well as opportunities to identify specific areas for development. The scheme began in June 2013 with a three-day training program undertaken at our Ellesmere Port site and, following extremely positive feedback, will continue and be expanded into 2014 and beyond.



We employ
288 women
and **792 men**
a gender split which
puts us just ahead of
the industry average for
the chemicals
sector.



the innospec team OUR BIGGEST ASSET

We have developed and continue to invest in an excellent reward scheme to retain and attract the best talent

674 employees have been members of our team for over 5 years (63%)

475 employees have been members of our team for over 10 years (44%)

Recognizing high performance

To ensure our employees remain enthusiastic about working for Innospec and confident in their ability, we believe that it is crucial that our people feel valued and adequately rewarded for their efforts at all times. We have therefore developed and continue to invest in an excellent reward scheme to retain and attract the best talent and allow all employees to share in our long-term success.

In 2010, for example, we launched the Innospec Sharesave program, in which all employees were invited to take part. Under the share offer, employees set an amount each month over a two (US employees) or three (all other employees) year period. At the end of the period employees were given the choice of either receiving the money they had saved back or using it to buy Innospec stock at a discounted price (based on the spot rate at the program's launch). When the last employees' options vested in 2013, the share price had risen 214%.

Employee retention

With excellent opportunities for promotion at the company, alongside extensive career development options and performance-based reward schemes, it is not surprising that many of our employees stay with us for many years. In 2013, 44% of our employees had been with us for 10 years or more.

Internal communications

Across our global locations, we are united by shared core values and business objectives. Strong internal communications are critical to ensuring that we all work toward meeting the same outcomes and are part of the same team, wherever they are based. We maintain a variety of internal communications tools which act to ensure our workforce can contribute new ideas to the business, learn about our latest initiatives and celebrate in our shared successes. These systems range from company intranet announcements, to internal bulletins and face-to-face meetings. We also ensure that all important communications, such as the Sustainable Development Report, are available for employees to view and download on our website.

It is also a standard policy to communicate wherever possible with team members in their own language, enabling our internal communications to be as effective and engaging as possible. Our network of Local Communicators are tasked with distributing our communications correctly and promptly across sites. Each of our global locations has an appointed Local Communicator, who is 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 in business update conference calls
- coordinating with global communications to ensure consistency of information sharing between all sites.



case study

Every year since 2007, our Leuna site in Germany has offered local student John Papke a placement while he completed his industrial engineering degree. After achieving his Master's in 2013, John was employed as a trainee on an our tailored international 18 month development program. The program will allow John to carry out a wide variety of projects at a number of our global locations, working with teams across our business disciplines.



The 18 month program is a new initiative for the Leuna site, reinforcing our on-going commitment to educational activities.

committed to our COMMUNITIES

Our philosophy of putting people first extends beyond our employees and customers, expanding to our wider communities.



On our journey to becoming a truly sustainable company, the way we interact with people and the communities we are part of plays an important role in helping us achieve our goals.

As a company with an international presence we take pride in our dedication to supporting the communities in which we work and live, and in the numerous collaborations with local charities that we establish and renew every year. Regardless of the country in which they are based, all our sites reflect our social commitment and take an active part in several initiatives of community support.

In 2013, we conducted a large number of charitable and community events, both on-site and beyond the boundaries of our plants. These include a wide range of fundraising activities, community initiatives and education programs.



Fundraising

Our site in Colorado continued its partnership with the PenFed Foundation Military Heroes® Fund, which provides financial assistance to war-wounded service members. We host our annual golf fundraising event in the city of Lone Tree and, together with 180 of our customers, suppliers and our partners, raised almost US\$75,000. Over the last year, the Heroes Fund has experienced a significant increase in the requests for emergency grants so our donations were warmly welcomed.

Last year, the team at our facility in Leuna, Germany donated over €5,000 to both a local event center and the Kita Spatzennest organization in the town of Merseburg. The Kita Spatzennest association actively collaborates with kindergartens and nurseries, encouraging children to learn more about the environment that surrounds them.

A team of runners from the Ellesmere Port site participated in the Innospec co-funded 10k race. The event was held in Ellesmere Port town center with the aims of raising the profile of the town and encouraging the community to get even more involved in charity events.

Innospec's North Carolina sites, High Point and Salisbury, continued their collaboration with United Way and donated approximately US\$16,000 to the non-profit organization. The North Carolina branch of United Way offers support to 50 local community agencies serving in the areas of education, income and health. A significant proportion of the overall donation was made up of pledges from our employees.

Employees from our Ellesmere Port and Widnes sites teamed up to organise a 16 mile charity run, walk or cycle event between our two manufacturing sites, raising £2,600 which was donated to a local cancer support centre. The centre has provided valuable care and support to some of our own work colleagues and community members.

In 2013, continuing its seven year collaboration with the German Association for the Protection of Forests and Woodlands (SDW), our Herne site made a donation to the organization for every liter of Ecotherm® Futur 2 sold, raising over €40,000 in total over the year. The site has now raised almost €230,000 for SDW since the start of the relationship in 2008.



2014 forest
adventure day drawing
competition winner.
Max 9 years old

Community engagement

The Ellesmere Port facility organized an open day for a group of pensioners to visit the plant where they used to work. The event was a chance for the current team to show ex-employees some of the key technological advances in our production process. The visit consisted of an initial presentation followed by a plant tour which focused on some of the main developments at the site.

Innospec France has a history in supporting disabled people through care and community activities in collaboration with local organizations. This includes our well-established relationship with The White Butterflies, the biggest care provider in the local area for people with learning difficulties. The main aim of the association is to create employment opportunities for the disabled, which our Vernon site supported by buying a decoration service that brightened the facility with flowers and plants.

As part of its exclusive agreement with SDW, our Herne site in Germany also supported the printing and distribution of forest class schedules to several schools in the local area and invited children to take part in a drawing competition on a "Forest Adventure Day".

Education

As a member of Groupement Interprofessionnel de la Région de Vernon (GIRV), our Vernon site participated in a series of education and training activities throughout the year. GIRV is a group of over 100 companies in the Vernon area involved in local activities of training and employment. Innospec France played an active role in the organization of a local jobs and training fair and also hosted a trainee laboratory technician from a local school for two weeks. This gave them the opportunity to put in practice the theories they had studied at school.



charity
support



At Innospec, process safety and occupational health has always been of paramount importance.

Through the comprehensive investigation and analysis of accident, incident and near miss events, we ensure that our safety programs focus on continuous improvement.

We constantly evolve our health and safety procedures to ensure we address new concerns and implement improved preventative measures. Our regular audits and senior management reviews, alongside an extensive training program, ensure we maintain our impressive performance.

Safety performance recognition

In 2013, Innospec attained several widely-recognized health and safety awards and achievements. Our Herne plant in Germany reached a 10 year milestone without an Innospec Reportable Lost Time Accident (IRLTA), an impressive landmark achievement. Our Vernon site in France reached 500,000 man-hours worked without an IRLTA and was awarded an Innospec Silver Award in recognition. Both our Leuna site in Germany and our Salisbury site in USA, meanwhile, reached 250,000 man-hours worked without an IRLTA. The sites were both awarded an Innospec Bronze Award for their achievement. Two of our sites were also recognized by the Royal Society for the Prevention of Accidents (RoSPA) and achieved prestigious awards in 2014 for occupational health and safety performance and initiatives carried out in 2013. Our Ellesmere Port site in the UK achieved, for the third time, the prestigious RoSPA President's award, awarded to the site for achieving no fewer than 12 consecutive Gold Awards. Our Widnes site in the UK was again awarded a RoSPA Gold Medal in recognition of its achievement of 8 consecutive Gold Awards from the organization.

Process safety

Process safety plays a central role in our approach to developing as a sustainable business. We have invested in a number of initiatives to ensure we operate to the highest standards at all times. This includes three core aspects which enable us to ensure any concerns regarding process safety are rapidly identified and flagged up at a senior level:

Process Safety Standards

Focused fundamentally on the control of critical hazards, our Process Safety Standards (PSSs) have been tailored to help us maintain a consistent basis of safety for all of our processes.

We frequently review industry best practice to ensure that they continue to meet the highest standards, amending and adding new procedures where necessary.

In 2012, for example, we developed, a new and enhanced global preventative maintenance standard based on new regulatory guidance and best practice. In 2013 our plants carried out a gap analysis against this standard and began developing tailored programs to meet any areas identified for improvement. Compliance with the corporate PSSs 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 site compliance against corporate standards. This includes an assessment of implementation levels, operational staff awareness of the standards, and their contribution to PSSs performance and critical control measures. The outcomes of the audits are discussed by the executive team at their quarterly SHE review.

THE STANDARDS ARE APPLICABLE TO BOTH THE PRODUCTION OF EXISTING AND THE INTRODUCTION OF NEW PRODUCTS. THEY COVER:

Risk assessment:

Identifying hazards and necessary critical control measures

Safe operation:

Ensuring that critical control measures are built into operational procedures

Management of change:

Eliminating the risk that change impacts the integrity of existing critical control measures

Safe Maintenance:

Maintaining the integrity of critical equipment and process controls

Accident, incident, near miss investigation and reporting:

Identifying the root causes of events and sharing learnings across the organization in order to reduce the chance of recurrence

Emergency Response:

Minimizing the impact of any emergencies that do occur

Competency:

Training and assessing our staff to ensure competency before carrying out the operations required



Process Safety Performance Indicators

Our Process Safety Performance Indicators (PSPIs) monitor all programs and activities targeted at reducing process safety incidents. The transparent, simple system is used to drive ongoing improvements in proactive safety measures at both local and executive level.

The PSPIs monitor the progress of each of our sites' annual programs in the following areas:

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

They are also used at site level to monitor the completion of actions from improvement programs and to identify any areas that need further support. The executive team reviews all sites' PSPIs at their quarterly SHE review meeting.

Process Safety Leadership

Our Process Safety Leadership program was introduced in 2010 and involves Executive Team members carrying out site visits. These visits are specifically focused on process safety and demonstrate at local level the Executive Team's commitment to the prevention of major accident hazards. As part of this program Executive Team members have been trained on critical aspects of process safety including;

- The nature of major accidents
- The business importance of their prevention
- Key elements of process safety management systems
- How process leadership can be demonstrated through site visits.

The training is refreshed on a regular basis to ensure the team remains fully up-to-date with the various objectives and key elements of the program.

Our corporate objective is for all sites to be visited at least once by a trained member of the Executive Team each year.

The leadership program and associated site visits have been positively received at both site and executive level since their introduction. The collaborative approach provides an open forum for local site teams and Executive Team members to assess and discuss site-level standards and raise any specific issues that require additional support.





Lost Time Accidents

We have developed a comprehensive investigation and reporting system to ensure we can quickly and efficiently establish the causes of all accident, incident and near miss events, and are able to take effective corrective action. Each year, we aim to achieve a zero Innospec Reportable Lost Time Accident Frequency Rate. As a minimum acceptable standard, we aim to ensure that we continue to perform better than the industry average for the UK chemical sector.

In March 2013, we had to report an Innospec Reportable Lost Time Accident (IRLTA) at our Ellesmere Port site when an operator suffered a broken arm as a result of tripping on banding removed from packaging. In response to this accident,

improvements were made to both the equipment provided and the procedure for packaging removal.

In December, a second IRLTA accident occurred at our recently acquired Bachman site. A field technician was exposed to methanol fumes while attending to an oil and gas well to clear a blockage in the line. Following this accident, improvements have been made to the isolation standards and respiratory protective equipment is now mandated as a precautionary measure when entering systems.

Our Lost Time Frequency Rate in 2013 was 0.13, which remains below the industry average for the UK Chemical sector (0.16), as reported by the Chemical Industries Association (CIA).

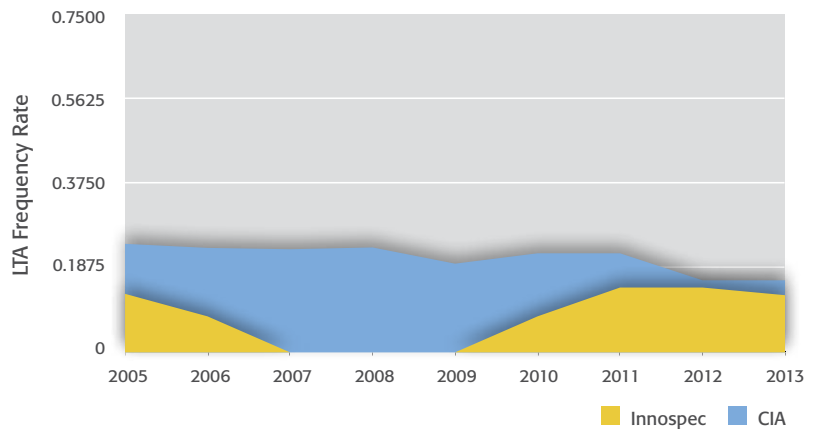
Loss of containment

We are committed to ensuring the safe containment of the process materials we handle at our manufacturing sites. In 2012 we formalized and agreed a company-wide definition of a Loss of Containment (LOC) event, in order to improve the consistency of reporting across our sites. Due to the introduction of this new definition, the number of LOC events we recorded initially increased. This was an expected outcome of the new approach, as more previously unrecorded minor events were being captured.

However, the new definition is helping us understand and address the causes of all minor events more completely, in turn supporting a decrease in the chances of more serious events occurring. In 2013, we recorded a reduction in the number of LOC events from the previous year of around 16%.



Employee Reportable Lost Time Accident Frequency Rate
Innospec vs Industry Average





Health and safety training

Training plays a central role in maintaining our high standards of health and safety. We invest substantially in ensuring all our employees are equipped with the skills and knowledge that will help them carry out their role. In 2013, we conducted a variety of training programs, both face-to-face and using e-training formats.

One key focus of our training in the last year has been behavioral safety. Statistics have shown that unsafe acts remain common in the industry, despite the introduction of rigorous safety measures. In 2012, we rolled out a universal training program which focused on the behavioral safety of employees while carrying out their jobs. The program was designed to help our people understand why accidents occur and what can be done to change the behaviors that lead to these outcomes.

In 2013 we continued this focus through the inclusion of a corporate objective requiring sites to maintain an on-going behavioral safety training program focusing on:

- actively promoting hazard identification and personal safety risk assessments by operational and maintenance personnel
- reinforcing the following principles:
 - do it safely or not at all
 - there is always time to do it right

To meet this objective, we built upon the training previously given in 2012 by developing and rolling out further behavioral safety training programs. As an example at our Widnes site a half day course was attended by all employees. This helped to raise awareness of how human factors contribute towards accidents and incidents,

encouraged the use of personal safety risk assessments and reinforced the principles stated in the corporate objective. In 2014, we will continue to roll out tailored behavioral safety training initiatives across our global facilities. Teams across our sites also took a variety of additional local training courses to ensure they are competent and safe in their roles. This included courses on:

- confined space rescue
- control of Legionella
- asbestos removal

We also invest in supporting a number of our team members in undertaking external health and safety qualifications. In 2013, for example, Marie Connor, the SHE Manager at our Ellesmere Port site completed her NEBOSH National Diploma in Occupational Health and Safety, receiving a distinction. The Diploma is the flagship NEBOSH award and is the first UK vocational qualification to be developed specifically for health and safety professionals.

Management systems assurance

Our Widnes facility has held the Occupational Health and Safety management system verification, OHSAS 18001, for a number of years. Our Ellesmere Port plant 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 and maintain this standard has supported the success of our on-going drive for continuous improvements in the safety and health of all our manufacturing operations.



monitoring OUR IMPACT

Monitoring and measuring the impact we have on the environment is a core element of our commitment to improving our sustainability.

We recognize our responsibility in acting in the most resource-effective way possible and with due regard to environmental issues across all of our operations. We regularly review and invest in advancing our technologies and processes, in order to identify potential opportunities to limit our environmental impact. All members of the Innospec team are also encouraged to contribute ideas to support improvements in our performance. We measure our impact in four key areas: Greenhouse Gas (GHG) emissions, energy use, water use and hazardous waste produced.

Greenhouse gas emissions

In line with the recommendations of UK regulators and respected independent research, we measure our emissions according to the Green House Gas (GHG) Protocol. Developed by the World Resources Institute and the World Business Council for Sustainable Development, the Protocol provides the measurement framework for the majority of GHG standards

and programs in the world. Independent experts on climate change, Ricardo-AEA (formerly AEA Technology), 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. These figures take account of the type of fuel used for combustion processes and the source of the electricity used for on-site purposes.

In September 2012, Defra commissioned research to consult on the format and content of its GHG Conversion Factors. This has culminated in a revised set of reporting tables and guidance, which has significantly changed the way in which factors are calculated. In 2013, we undertook a historical recalculation of all our GHG figures, based on the new measurement definitions outlined by Defra. This realignment has been backdated to 2006, allowing direct comparability across all years since we began recording GHG outputs.

Defining scope

Under the GHG Protocol, three "scopes" (scope 1, scope 2, and scope 3) are defined for accounting and reporting purposes. Defra recommends that companies separately account for and report on scopes 1 and 2 at a minimum, as the measures are directly affected by the actions of individual organisations:

Scope 1:

Direct GHG emissions occurring from sources owned or controlled by the company

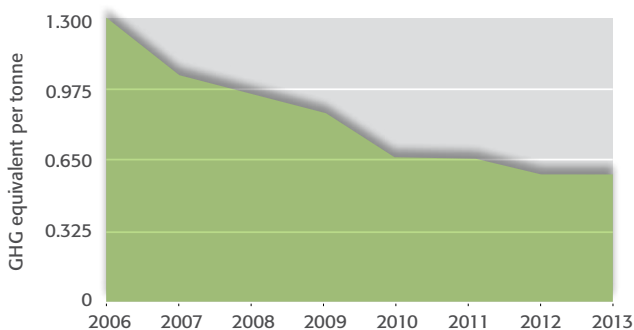
Scope 2:

Indirect GHG emissions from the generation of purchased electricity consumed by the company. These emissions physically occur at the facility where electricity is generated

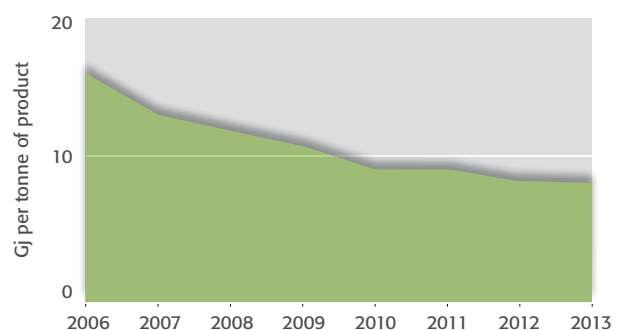
Scope 3:

Is an indirect measure based on wider external, lifecycle factors. Scope 3 is a voluntary measurement which we currently do not report.

Innospec GHG Emissions (scope 1 and scope 2)



Energy Efficiency



Based on the updated reporting definitions, our GHG equivalent per tonne has reduced overall by 55% since 2006.



Energy use

Since 2006, we have introduced a number of initiatives to reduce the amount of energy we use per metric tonne of product produced across our sites. In 2013, this included a program to remove and update redundant high voltage (HV) electrical infrastructure at our Ellesmere Port facility. This activity will help us increase energy efficiency and reduce electricity losses across the site. Over the course of the next few years, this project will support significant cost reductions and improvements in energy use per tonne of product.

Our commitment to conserving energy in all our operations has led to a 51% reduction in energy usage per tonne of product since 2006.

Water use

We closely monitor and review how and why we consume water. Our primary focus is on reducing and eliminating water leaks and making our cooling plants as efficient as possible. Investments and improvement

programs in these areas have seen a 72% reduction in our water use per tonne of product since 2005, with a 5% decrease between 2012 and 2013.

General water reductions and winterization programs carried out during the end of 2012 and into 2013 at our Widnes, UK and High Point, North Carolina plants have helped contribute to water consumption reductions, with significant investments in protecting pipelines from adverse weather conditions which can contribute to leakages.

Our Vernon site, meanwhile, exceeded its 2013 target of recycling 3.5% of total water it uses, delivering a 5% recycling rate by the end of 2013. Overall water consumption at Vernon fell 14% in 2013.

Hazardous waste

The hazardous waste per tonne we produce has reduced by 40% since 2005. The year-on-year fluctuations are as a result of a varying product mix at our manufacturing facilities.

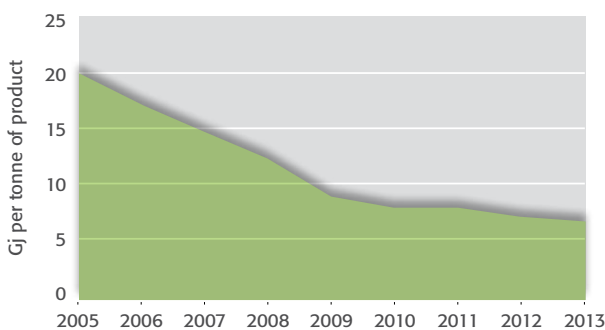
The company is reviewing methods to facilitate the effective forecasting of the impact of product mix, enabling targeted improvements to be identified.

Delivering continuing improvements

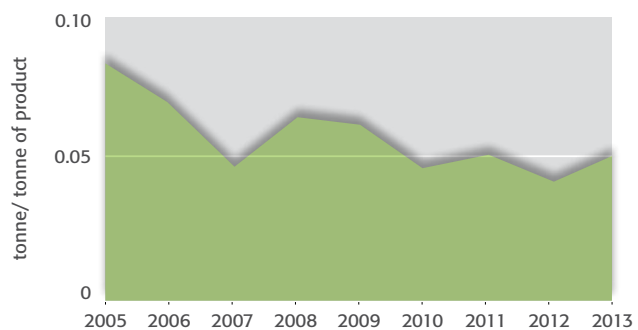
Overall, we are making significant improvements to our operations to ensure that we understand what contributes to our environmental footprint and identify viable options for its reduction.

As our sites become more efficient, we are looking at the next steps in delivering continuous improvements in how we use valued resources. Our long-term strategy is focused on forecasting resource use and production requirements at each of our sites, based on product mix and outputs in a given period.

Water Usage



Hazardous Waste



monitoring OUR IMPACT



Environmental management

It is our stated objective to ensure all our plants have an externally verified environmental management system. Several of our sites have been awarded 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 & operation; checking; and management review. Integral to the model is the concept of continual improvement of the EMS.

Following successful accreditation of our Salisbury and High Point sites and retention of the standard following external audits in 2013, ISO 14001 is now held by the following manufacturing sites:

Ellesmere Port, UK
Widnes, UK
Herne, Germany
Leuna, Germany
High Point, North Carolina
Salisbury, North Carolina

Our Vernon site in France is currently verified by its trade association, the Union des Industries Chimiques (UIC), for its Responsible Care Management System standard. This 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 intends to move to ISO 14001 in 2014.

In addition, our Leuna site is also accredited to ISO 50001, the energy efficiency standard.



case STUDY

Recycling

At Innospec, we constantly look for ways to reduce the amount of waste we create and send to landfill. In 2013, our two plants in North Carolina introduced recycling programs which have already made a substantial impact on their environmental performance.

At the beginning of the year, our Salisbury site initiated a new recycling program to divert waste from landfills. The single stream program allows the mixing of paper, plastics, cardboard, aluminium and raw material polypropylene bulk bags. The plant also reviewed and revised the waste

and recycling containers used at the site and the contract held with an external waste management company. The joint result of these actions has been the diversion of just under 1.5 tonnes of waste materials from landfill by the end of 2013, saving the site almost 70% on its landfill waste costs.

High Point also rolled out a new recycling initiative in 2013, instituting a program for the collection of paper, plastic bottles and aluminium cans. The SHE team at the plant is continuing to work towards a full single stream program.



At Innospec, responsible stewardship plays a key role in business operations and is supported by our commitment to sustainable product development.

We integrate this focus into our business culture to ensure we minimize the environmental impact of our products. We maximize the health and safety credentials at each stage of their lifecycle – from design and manufacture through to distribution, use and disposal.

Our on-going product stewardship program ensures that our portfolio of specialty chemical products are managed and controlled safely and responsibly.

REACH

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.

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 often in collaboration with other manufacturers and importers to demonstrate that the substance in question is fully tested and all risks properly assessed.

We recognize the significant importance of the REACH initiative and for several years have operated a dedicated 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.

During early 2013, we worked diligently to complete the second phase, covering all products manufactured and imported at volumes above 100 tonnes per year. We successfully achieved these registrations ahead of the May 2013 deadline. This ensures our customers can be confident that our products meet all relevant regulatory approvals and deliver valued performance to their operations.

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

Optimizing our Finsolv® range

We are committed to continuously working in collaboration with our customers to raise quality and purity standards and support the development of new products with added environmental credentials. This emphasis on product development can be seen in our two new optimized grades in our Finsolv® range of benzoate esters: Finsolv® TN-LB and Finsolv® TN-G.

Recent changes to EU Legislation have resulted in restrictions on the amount of benzyl benzoate that cosmetics can contain. Our Research and Development team has enhanced our product Finsolv® TN-LB, lowering the level of benzyl benzoate in such a way that enables our customers to meet the new requirements without affecting the performance characteristics of their products. Finsolv® TN-LB offers the lowest benzyl benzoate on the market; the innovative ester maintains all the performance characteristics of Finsolv® TN, combining exceptional functionality with high quality and consistency for mild yet highly emollient applications.

In-line with our commitment to sustainability and reducing the environmental impact of our products without compromising on quality, we have developed Finsolv® TN-G. In response to feedback from our customers, we have reinvented the ester to optimize the use of natural feed stocks. While all other similar Alkyl Benzoates available today are 100% synthetic in origin, Finsolv® TN-G is almost 50% naturally derived while still delivering the same attributes as our flagship Finsolv® TN product.



Intelligent Authoring®

At Innospec, regulatory compliance is supported by the use of Intelligent Authoring®, an expert software system supplied by IHS which provides a regulatory information management system for our products. The software is a global tool that we use to capture all the necessary elements for regulatory compliance for all our chemical ingredients. The information includes, but is not limited to:

- National inventory data
- Toxicological data
- Ecotoxicological data
- Physical chemistry data

The system uses this data to determine a number of aspects of our product stewardship, including: national inventory compliance, classification derivation and label creation for all the products that we sell. The system is also used to create worldwide Safety Data Sheets (SDSs) for 1500 products in up to 43 languages. Intelligent Authoring® is a vital and effective tool used by our regulatory team to facilitate us in meeting its regulatory requirements.

As part of our best practice approach to product stewardship, recent company acquisitions – such as the Bachman Group and the Chemsil Group – are also being integrated into regulatory compliance and Intelligent Authoring®. Starting in 2013 and continuing into 2014, SDSs and regulatory documents produced for these acquisition companies will be brought in line with our high standards and made available to customers.



Assurance Statement 2013

Methodology

Jacobs has conducted an independent assurance of the 2013 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 assurance 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 global manufacturing operations.

Conclusion

Innospec's 2013 SD report presents a representative balance of information on Innospec's activities and operations together with the associated environmental, safety, people and community aspects. Attention is also given to the role of product stewardship and ethics as part of Innospec's approach to SD. The creation and appointment of the new Group SD Manager should see an increased level of progress going forward with regard to the development of the companies SD strategy.

Stakeholder participation has become established through a variety of means across the business. The Group SD Manager has been tasked with coordinating and engaging with both internal and external stakeholder groups to better understand their expectations. The output of this work will be important to confirm the relevance and significance of SD issues for Innospec and its stakeholders and to identify material issues to manage and report.

Performance metrics have already been used in many areas of the SD report to present Innospec's progress in SD and we encourage the planned development of company objectives to formalise the SD strategy. This will enable Innospec to monitor and measure progress against their SD commitments. The SD report can then be used as a key communication mechanism for presenting progress.

During our assurance work we found the data collection systems used for SD performance information are generally consistently and robustly applied, although, for a very limited number of cases, 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, through reviewing the completeness and accuracy of data sets supplied. When interviewed, staff at central and site level demonstrated a good level of understanding around collation, interpretation and demonstrating data to feed into the 2013 SD report. We acknowledge that changes to product manufacture, batching and formulation have an impact on site resource use and that this impacts on the ability to show comparable annual trends in resource efficiency performance.

We would encourage Innospec to develop a reporting principles framework or guidelines for future SD reporting. This best practice approach would provide consistency in data reporting approaches and address the current risk of reliance on key staff. It is expected that the development of the SD strategy will give clarification on data collection requirements and reporting responsibilities which will improve ownership of SD issues within the business. Innospec should also give consideration to reporting progress at an amalgamated business level supported by site level data.

Within the scope of the assurance 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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