



Sustainable Development
Report **2014**



WELCOME

OUR 16TH ANNUAL SUSTAINABLE DEVELOPMENT REPORT HIGHLIGHTS OUR BUSINESS ACTIONS FOR 2014. THROUGHOUT THIS REPORT WE WILL PROVIDE YOU WITH AN OVERVIEW OF THE ACTIVITIES WE HAVE UNDERTAKEN THIS YEAR THAT HAVE HELPED TO DIRECT AND SUPPORT OUR CULTURE OF ADDING SUSTAINABLE VALUE TO THE COMPANY AND OUR STAKEHOLDERS.



Business Performance



Inside Innospec



Sustainability



Ethics & Compliance



Environment



Health & Safety



People



Community

We have identified our focus areas that reflect our stakeholder concerns and expectations. These encompass the four pillars of sustainability; Social (including health, safety and community programs), Environmental, Governance and Economic. Our activities in these focus areas will shape our sustainability strategy over the coming years. We will review our performance within these areas to ensure we achieve our sustainability objectives and also actively seek opportunities for continuous improvement.

2014 has been a successful year in financial terms, with all of our core businesses experiencing substantial growth. A new addition to the Innospec family was made through the acquisition of Independence Oilfield Chemicals (IOC), boosting the capabilities of our Oilfield Specialties business. Sales have risen, with a number of new business wins making a significant contribution to this and, as a result, we are well placed for future growth. This will enable us to maintain our commitment to the sustainability of our activities, as we continue to develop.

We actively monitor our environmental performance and in 2014 we have reduced our impact on the environment, delivering reductions

in our greenhouse gas emissions, energy use, water use and hazardous waste produced compared to previous years.

Helping us achieve this is our global team of talented employees. Without them we wouldn't be able to meet our goal of ensuring a sustainable business. Providing training and development opportunities allows our employees to engage with, understand and put into practice the measures needed to achieve the highest possible standards across our business.

We strive to ensure that our sites continue to be safe places to work and we recognize good safety performance. In 2014 we introduced our new Corporate Safety Plaque Program and we were proud to award Bronze Plaques, along with donations to charities, at eight of our manufacturing facilities. This plaque is presented to the sites and operations that have reached one year without an Innospec Reportable Lost Time Accident (IRLTA). We were also delighted to receive external recognition of our safety performance from the UK Royal Society for the Prevention of Accidents (RoSPA) and the US North Carolina Department of Labor.

The external recognition of our health and safety performance and management systems, alongside the acknowledgement of a number of our employees for their work within the industry, has raised the profile of Innospec even further.

As a business we have maintained our firm positioning as a company that cares about our local communities. We have continued to take part in a number of fundraising events, upholding our commitment to the causes our employees believe in.

Reflecting on our achievements in 2014 it has been an exciting and successful year. We continue to move further forward in our journey towards building a sustainable business. Within this report, we have highlighted the progress we have made to date while providing an insight into our future activities.





BUSINESS PERFORMANCE

6%
overall organic
revenue growth
per annum
since 2009



GROWTH

With a strong order book, healthy balance sheet and positive cash flow, our economic sustainability is constantly improving, with an optimistic outlook for the future. As we look ahead into 2015, we are well placed for further growth.

6%
overall average
operating income
growth per annum
since 2009

US\$22

million spent on Research and Technology (R&T) in 2014



PERFORMANCE CHEMICALS

Net sales of US\$224 million in 2014
Gross profit of US\$54 million in 2014

FUEL SPECIALTIES

Net sales of US\$682 million in 2014
Gross profit of US\$219 million in 2014

All of our core businesses have enjoyed success in 2014. Fuel Specialties, the largest of our businesses, has generated 71% of our annual net sales, with net sales of our Performance Chemicals business contributing 23% to the annual figure.

OCTANE ADDITIVES



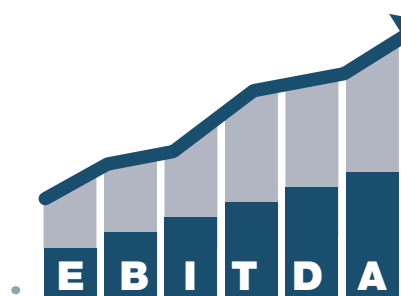
Net sales of US\$55 million in 2014

NET INCOME



US\$84
million

in 2014
up 8% on 2013



US\$141
million
in 2014
up 21% on 2013

2013 2014

US\$113
million
operating income
in 2014 up 24%
on 2013

US\$961
million
net sales in 2014
up 17% on 2013

SALES

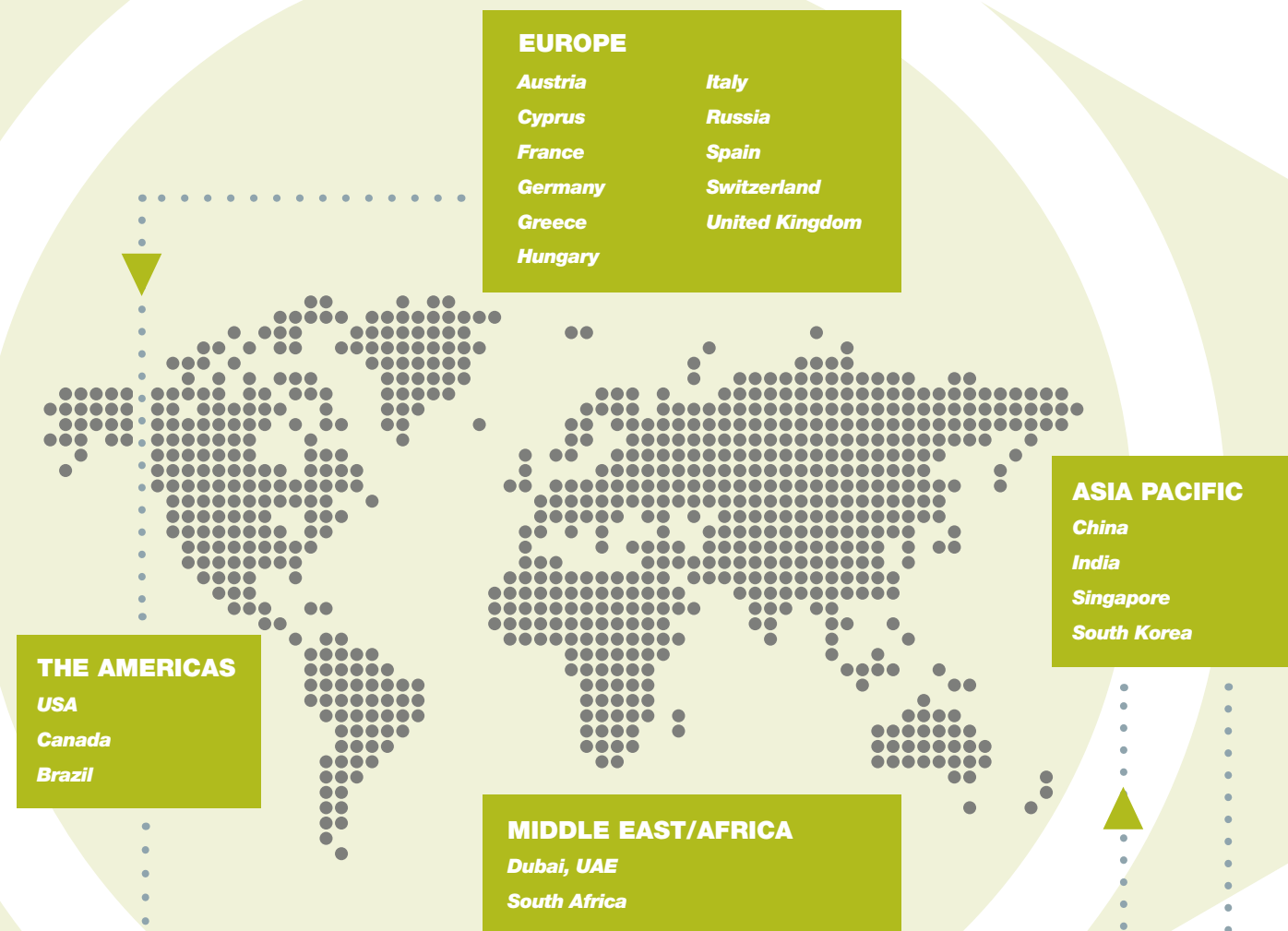


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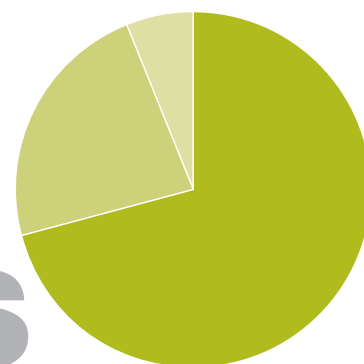
INSIDE INNOSPEC

WORLDWIDE LOCATIONS



Employees based in
20
countries over 5 continents

3 Fuel Specialties
 Performance Chemicals
 Octane Additives
BUSINESSES



SITE NEWS

3 sites



10
YEARS

Our Leuna (Germany),
Widnes (UK) and Salisbury (USA)
manufacturing facilities all celebrated
their 10th anniversary as part of the
Innospec Group.

Acquisition of
Independence
Oilfield Chemicals

IOC



employing 151 people

PRODUCT LAUNCHES AND APPROVALS

3 new
sulfate-free
products in
personal care
in 2014



New food contact
approval for Viscowax®
business:

Food and Drug
Administration approval
for PE waxes



EVA waxes now listed under
EU regulation 10/2011 on plastic
materials and articles to come
into contact with food

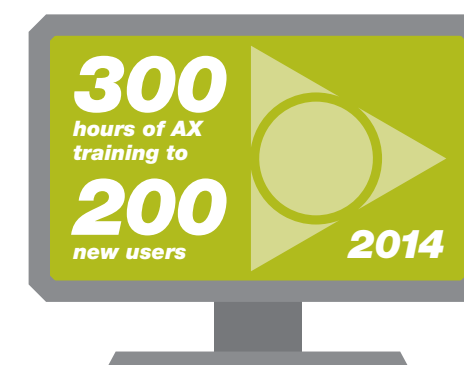
In response to the ever complex
global regulatory environment
in which we operate, we have
restructured our regulatory affairs
into a new central regulatory team.
This enables us to develop a more
efficient approach to regulatory
affairs across the business.

Centralization
of global regulatory team



SYSTEMS AND PROCEDURES

We are continuing to integrate
our enterprise resource planning
(ERP) system across the business.
Our AX-based information
management system, launched in
2013 will eventually handle all of our
transactions globally as well as
store essential business data.



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SUSTAINABILITY

OUR SUSTAINABILITY JOURNEY

1999

1999 Our first sustainable development report was created. Over the following decade, we refined our approach to sustainable development in line with the requirements and expectations of the industry and our stakeholders.



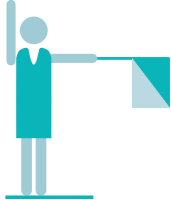
2010 A Sustainable Development Network was created to review our sustainability approach and develop a coherent strategy. The network consists of employees from different functions and locations around the world.



2012 We facilitated a sustainable development workshop to identify our key stakeholders and industry best practice. The workshop led to the identification of a potential sustainable development framework covering six core themes.



2013 It was recognized that additional resources were needed to support the development of our sustainable development strategy leading to the appointment of our first Group Sustainable Development Manager, Helen Coy.



2014 We engaged with our stakeholder groups using a variety of different methods to understand their sustainability priorities and expectations. These were fed into a materiality assessment which identified a number of focus areas to take forward.



2014

ADDING SUSTAINABLE VALUE

FOCUS AREAS AND ACTIVITIES 2015 AND 2016

HEALTH SAFETY AND WELLBEING

- Protect the health and safety of employees and third parties
- Enhance our behavioral safety program
- Implement and comply with corporate process safety standards
- Reduce loss of containment events



ENVIRONMENT

- Further develop a greenhouse gas and energy reduction program
- Identify and evaluate further water and waste reduction projects



EMPLOYEES

- Implement an internal sustainable development strategy communication and training program

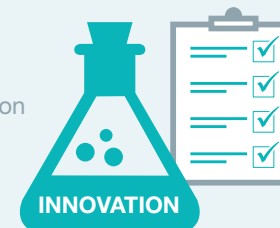
ETHICS AND GOVERNANCE

- Continued RSPO membership, certification and supply chain sourcing
- Implement an internal Sustainable Development reporting framework and guidelines



PRODUCT SUSTAINABILITY AND INNOVATION

- Development of Innospec product sustainable evaluation assessment criteria



COMMUNITY ENGAGEMENT

- In addition to the many existing local community initiatives identify a corporate supported community project



SUPPLY CHAIN

- Establish a supplier sustainability performance assessment
- Develop a supply chain risk location map that evaluates key environmental, governance and societal risks



Helen Coy, Group Sustainable Development Manager

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ETHICS & COMPLIANCE

ONLINE TRAINING

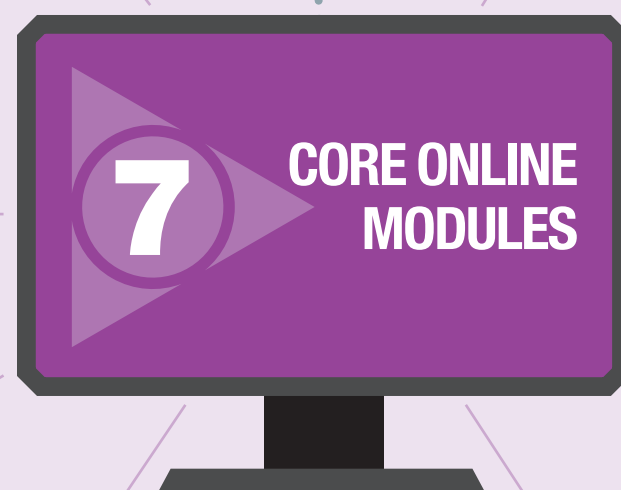


FRAUD and Business Integrity



BRIBERY
Combating Bribery in Business Internal/Third Party

ANTITRUST
Contact with Competitors (US)



INSIDER Trading

GLOBAL COMPETITION
Principals and Practices (Non US)

GLOBAL Export Controls



TRAINING 2014

1357

employees and contractors enrolled for ethics and compliance training

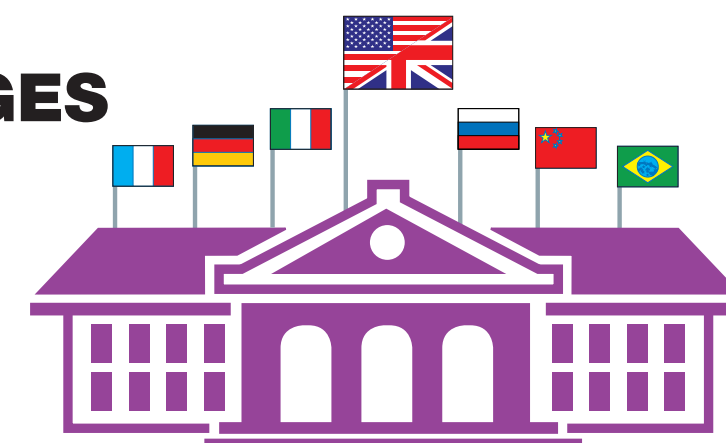
COURSE COMPLETIONS REGISTERED

4726



COURSES IN 7 LANGUAGES

Our training program aims to educate our employees on our policies and ensure their commitment to compliance. All the courses are available in seven languages: English, French, German, Italian, Russian, Chinese and Portuguese, reflecting our global footprint.



0

incidents reported



WHISTLE BLOWING

If any employees become aware of any issues such as fraudulent behaviour, malpractice or suspected violation of our ethical or professional standards, they are encouraged to use our confidential whistle-blowing hotline, details of which are given to all employees. In 2014, no incidents were reported via the hotline.



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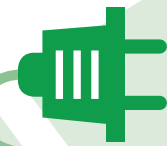


ENVIRONMENT

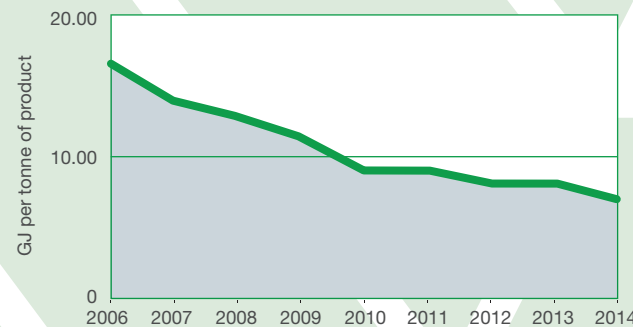
PERFORMANCE

AND KEY HIGHLIGHTS 2014

17%
reduction
59%
reduction since 2006



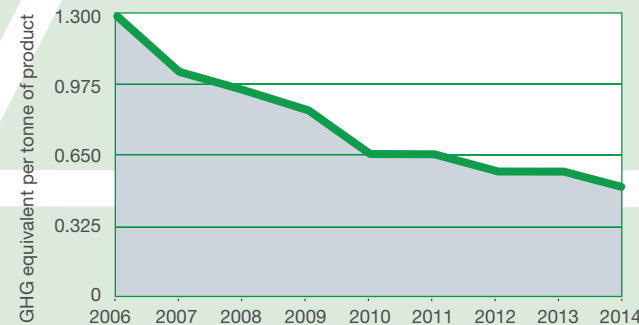
Energy Usage



13%
reduction
61%
reduction since 2006



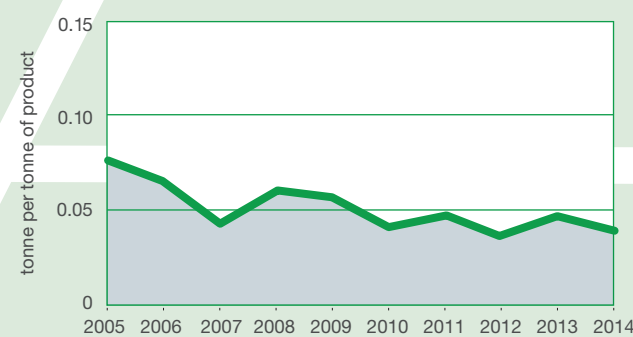
GHG Emissions (scope 1 and scope 2)



14%
reduction
48%
reduction since 2005



Hazardous Waste



GREENHOUSE GAS (GHG) protocol scope definitions

DEFRA (The UK Department for Environment and Rural Affairs)

Scope 1

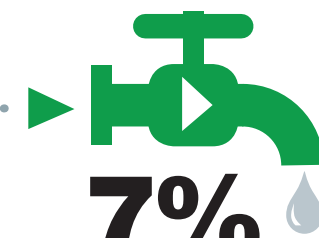
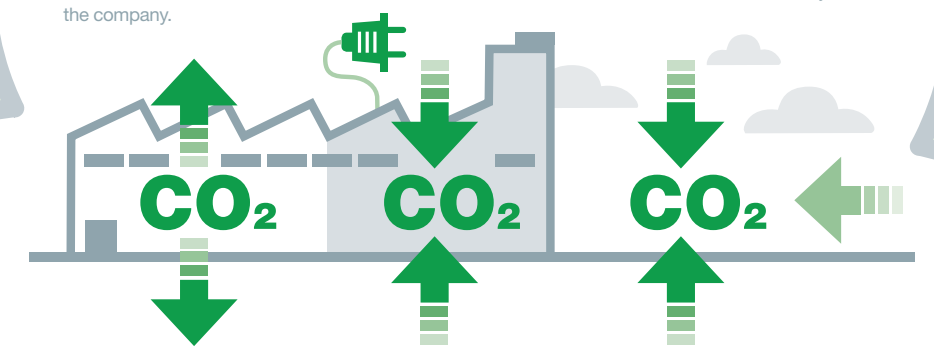
Direct GHG emissions occurring from sources owned or controlled by the company.

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.

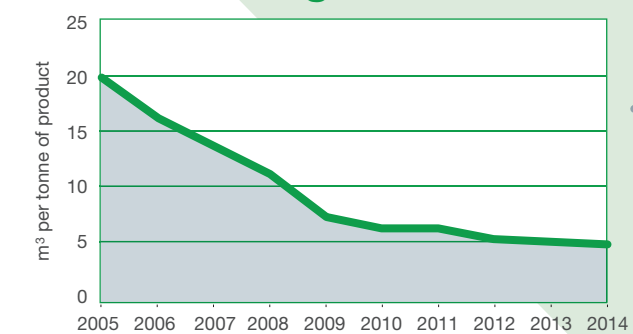
Scope 3

An indirect measure based on wider external, lifecycle factors.



7%
reduction
75%
reduction since 2005

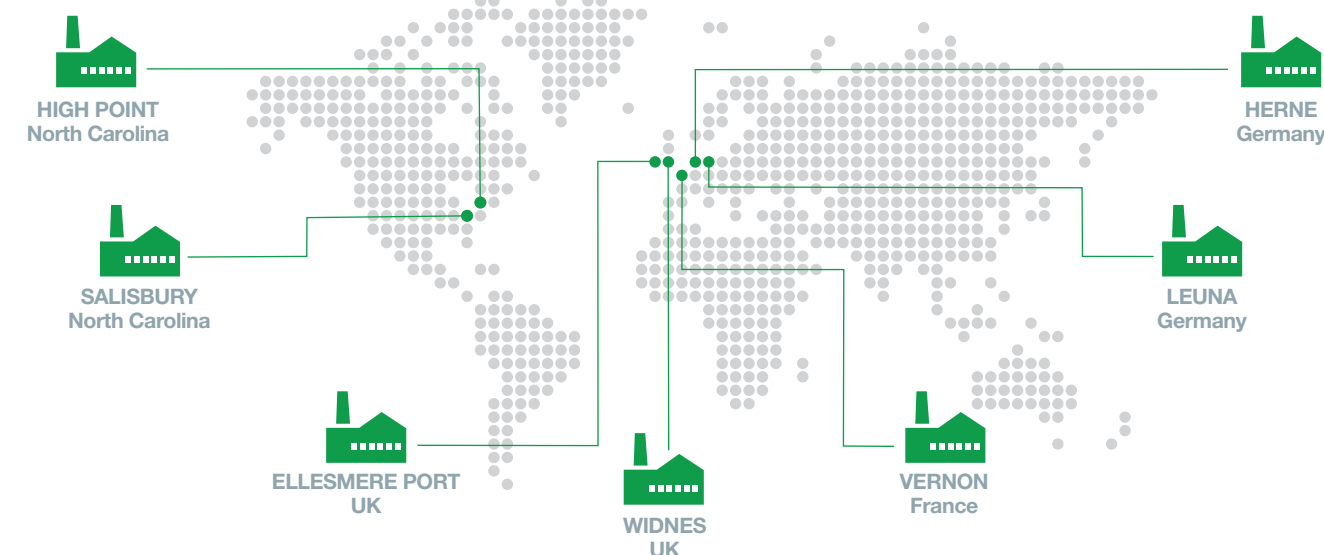
Water Usage



ISO14001 ACCREDITATION

Achieved in just six months, Vernon's accreditation means that all seven manufacturing sites owned prior to December 2012 are now ISO accredited.

OUR ISO14001 ACCREDITED SITES



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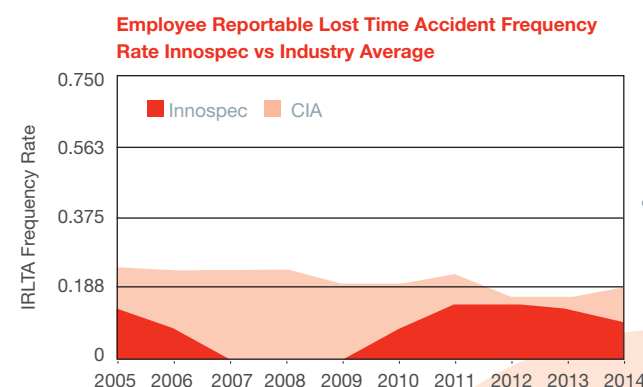
HEALTH & SAFETY

PERFORMANCE AND KEY HIGHLIGHTS 2014

Lost Time Accident Frequency Rate

0.10
per 100,000 hours
(Innospec employees)

UK Chemical Industry average 0.178*
*UK Chemical Industry Association (CIA)



4% Fewer
Accidents



5787 Near Misses
8% Increase

A near miss is defined as a learning event that did not cause harm, but had the potential to cause injury or loss. The more near miss events reported and proactively addressed, the lower the likelihood of the event becoming an accident or incident in the future.

Loss of
Containment
68%

Reduction in quantity of material involved

Our sites are encouraged to report all loss of containment (LOC) events regardless of the quantity lost. LOC events are investigated in order to fully understand and address the causes, with the aim of preventing re-occurrence or developing into a more serious event. In 2014, we recorded a 68% reduction across the group on a like for like basis compared to 2013.



PERFORMANCE RECOGNITION

EXTERNAL GOLD

13th year receiving Gold - Ellesmere Port
9th year receiving Gold - Widnes



Two of our sites in the UK have been recognized by the Royal Society for the Prevention of Accidents (RoSPA) for occupational health and safety initiatives carried out in 2014. Our Ellesmere Port site achieved, for the fourth time, the prestigious RoSPA Presidents Award, presented to the site for achieving no fewer than 13 consecutive Gold Awards. Our Widnes site was awarded its fourth RoSPA Gold Medal in recognition of 9 consecutive Gold Awards from the organization.

INTERNAL

8 sites awarded new
bronze safety plaque



Oklahoma City,
Chatsworth, Ellesmere
Port, Herne, Salisbury,
Crowley, Vernon and
Widnes

Widnes all received a new bronze safety plaque along with US\$1000 donation to charity. This was in recognition that each site achieved no Innospec Reportable Lost Time Accidents (IRLTA) in 2014. Silver plaques with US\$3000 and gold plaques with US\$5000 will be awarded in the future for sites that achieve 3 years and 5 years respectively.



SILVER

Salisbury award

We also received a silver award from the North Carolina Department of Labor (Safety Awards) program, which rewards companies and employees for maintaining a safe and healthy work place. This award recognizes that our Salisbury site did not have a lost time accident in 2014 and maintained a DART (days away, restricted or transferred) rate 50% below the USA Chemical industry average.



VERNON SITE

COMMENDED

French National Care awards commendation

Our Vernon site was one of five companies commended in the National Responsible Care awards, for its work in reducing Loss of Containment.

DEMONSTRATING OUR COMMITMENT



Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

**Responsible Care®
Global Charter**

International Council of Chemical Associations

Our CEO, Patrick Williams, reaffirmed our commitment to the Responsible Care® Global Charter of the ICCA. We signed up to its revised charter in November 2014, ahead of its official launch in 2015. Responsible Care® is the chemical industry's global initiative to drive continuous improvement in health, safety and environmental (HSE) performance, together with open and transparent communication with stakeholders.



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PEOPLE

EMPLOYEE STATISTICS



36%

employees with 10 years or more service



TOTAL EMPLOYEES*
1301

#as at 12/31/14



26%

female

74%

male

343
females

Industry average*
26% females
74% males

958
males

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



20%

senior management are females

SHARESAVE PROGRAM



58%

eligible employees took part in the Sharesave program



Under the program, in which all employees, as of June 2014 were invited to take part, participants save a set amount each month over a two (US employees) or three (all other employees) year period. At the end of the period employees can choose to either receive the money saved back or use the money to buy Innospec stock at a discounted price.



LEADERSHIP PROGRAM

12



employees took part in our 2014 leadership program. Participants attended from the USA, Canada, UK, Russia and Singapore, covering sales, business development, supply chain, legal, finance, purchasing and research and technology functions.



TRAINING SUPPORT WORKSHOP

This involved training days in the form of a work shop and one-to-one support designed to help develop their leadership skills further.



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COMMUNITY

CHARITABLE ACTIVITIES



TOTAL RAISED FOR CHARITY

IN 2014 US\$140,337



~US\$80,000
raised for PenFed
foundation in 2014

The PenFed Foundation provides financial assistance to wounded members of the armed services and their families, ensuring they have a secure and stable future. We are very proud to be associated with such a worthy cause and endeavour to continue our efforts to help those who deserve our support.



€35,862

In 2014 we donated €35,862 to the German association for the protection of forests and woodland

Our Herne facility in Germany continued their long standing support of the German Association for the Protection of Forests and Woodlands (SDW), by making a contribution to the organization for every litre of Ecotherm® Futur 2 sold. The total raised since 2007 is almost €278,000.

US\$7,389
RAISED

Widnes to Ellesmere Port superhero fun run



47
EMPLOYEES
TOOK PART

ENGAGING WITH SCHOOLS AND CHILDREN

Our connection with the local community is extremely important to us, in particular our involvement with local schools and children. We have been active in a number of successful initiatives this year and will continue to take part in and deliver educational activities in the future.

School visits to Ellesmere Port



The 'science of hair care' lessons on how to create shampoo formulations at Whitby High School, Ellesmere Port, UK.



Science workshop developed by Innospec for The Catalyst Museum, Widnes, UK.

This family attraction is an interactive science centre and museum whose aim is to make science exciting and accessible to people of all ages with an excellent educational focus.

LOCAL COMMUNITY ACTIVITIES

Our participation in community events is vital in our role of being a sustainable business. In 2014, we successfully contributed to and took pride in supporting and engaging with our community through different initiatives.

'Sport in the Port' Co-sponsored the second annual event

1,000 runners (10 Innospec employees) took part



North Carolina Sites raised almost US\$19,240

Innospec North Carolina sites High Point and Salisbury continued their collaboration with United Way, raising almost US\$19,240 for 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. Total raised since 2012 is just over US\$50,000.



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COMMITTED TO SUSTAINABLE GROWTH

Financial stability and growth are essential in maintaining our commitment to making a positive contribution towards a more sustainable future. In 2014, we delivered an increase in revenues, margins and profits for Innospec, despite uncertain economic and political conditions in some key markets. With a 17% increase in total revenues to US\$961m and an 8% uplift in net income to US\$84m, we have enjoyed real success. Our well established businesses, elevated by our recent acquisitions, have played a key role in realizing our commercial achievements this year.

Research, product development and technical service are at the heart of our business. It is only by continuing to invest in Research and Technology (R&T) that our businesses can achieve the innovation and performance required to drive us forward. This investment continues to increase each year, providing a solid technical platform for future growth.

Our **Fuel Specialties** business is one of the largest specialist providers of fuel additives in the world. Our clients range from fuel retailers and terminal operators to multinational and national oil companies. We develop and supply a wide range of products which include detergents, cold flow improvers, stabilizers, anti-foulants and combustion improvers. These products help to improve fuel efficiency, boost engine performance, lower harmful emissions and reduce environmental impact.

2014 was another successful year for Fuel Specialties, with a rise in global sales of 20% to US\$682m. Operating income also increased by 13% to US\$104m.

There has been a growth in sales volumes for our Oilfield Specialties business, whose products help to reduce mud losses in drilling operations and assure product flow and asset integrity.

This increase in sales was strengthened by the acquisition of Independence Oilfield Chemicals. We have made good progress in integrating our newer oilfield sites into our safety, health and environment structure and processes, and we will continue to explore other opportunities for expansion in this sector.

Our **Performance Chemicals** business is our second growth sector focused around the personal care market. It also includes our polymer and aroma businesses. Sales for the year increased by 16% to US\$224m and operating income rose 8% to US\$26m.

Our expansion in this market is driven by increased consumer demand for better performing and more environmentally friendly products such as shampoos, cleansers and sunscreens. Combining this with continuous portfolio diversification has led our increased success in this business.

In addition, Chemsil, our 2013 acquisition, is now firmly integrated into the business. This enables us to offer an unrivalled range of customized personal care solutions, which supports our customers in developing innovative products and contributes to the development of this segment.

As a responsible provider of tetraethyl lead (TEL) used in aviation and motor gasoline, we are committed to supporting the smooth transition to unleaded gasoline. Throughout this phase-out period we continue to offer an environmental remediation service to customers, managing the clean-up of redundant plants as refineries complete the move away from TEL. This product stewardship service includes safety training along with technical and engineering support.

Net sales for our **Octane Additives** business in 2014 came in at US\$55m. Sales of TEL represent less than 6% of our company revenue.

LOOKING CLOSER INTO OUR 2014 ACTIVITY

It has been a busy year for Innospec. In addition to adding a new acquisition we have undertaken a number of new activities and initiatives that reinforce our commitment to continuous development and improvement. In a year of substantial growth across all our businesses, our Fuel Specialties business gained a number of significant new customers in the automotive, oil and petrochemical industries. Marking a milestone for Innospec, we secured the first bulk ISO tank sale into Europe of our lubricity improver, OLI 9000.m. This additive is used to prevent vehicle pump wear and reduce maintenance costs in diesel vehicles.

Further success in our Fuel Specialties business was exemplified by the commitment of an industry leading global shipping company to use our revolutionary additives EcoClean® Power Plus and EcoClean® Winter Power Plus. Our EcoClean® range of detergent additives help to maximise performance in modern diesel engines. The increase in the sales of these EcoClean® products comes alongside winning a significant contract to supply our cold flow additive CFI-1935 into the rail industry. This product has been developed to improve the low temperature performance of fuels.

Our activities in Oilfield Specialties, which is part of Fuel Specialties, were particularly prominent. Through our acquisitions in 2012 to 2014, we have built a significant new force in the Oil and Gas business, encompassing products and services for drilling, fracturing and stimulation, and production operations. In 2014, the business secured a number of key new contracts with oil exploration and production companies located across our Oilfield sector.

The Performance Chemicals business also enjoyed some notable business wins in 2014. In response to consumer demand for sulfate-free personal care products we introduced two new surfactants. The start of the European supply of our sulfate-free surfactant, Pureact SCG-U was a significant highlight for us, diversifying the chemistries used at our production facility in Ellesmere Port. In addition to this, we celebrated a landmark deal for our mild sulfate-free surfactant, Pureact I-85EC, in the cosmetics and beauty industry. The introduction of our custom silicone gel skin emollient, AGX gel, for use in the healthcare sector, also helped drive our growth.

Committed to product stewardship and quality

We take great pride in the performance, quality and safety of all our products, with stringent manufacturing controls to enhance production consistency and a focus on product stewardship. Our efforts in quality assurance are exemplified by STADIS®, our static dissipator used in aviation fuel. To guarantee the quality of our product and provide extra peace of mind for customers, we have installed a new tamper proof seal system. We have also invested in translating our existing awareness package for the safe handling of CNI (cetane number improver) 2 ethyl hexyl nitrate into French, supporting our dedication to product stewardship for customers worldwide.

Pioneering new Personal Care products

Products launched in 2014 include:

- Iselux® Ultra Mild – a concentrated, sulfate-free surfactant which reduces the volume of product, reducing costs and improving environmental impact. Made largely from natural plant-derived resources this ultra-mild formulation features an extremely low irritancy profile to protect delicate skin and eyes.
- Pureact WS 70 – a sulfate- and palm-free high foaming taurate surfactant. The product is suitable for handling at ambient room temperature removing the need to heat prior to use, thus conserving energy.
- Pureact MS-CG – a sulfate-free, low odor mild surfactant.

Cementing our on-going commitment to compliance and the use of accredited management systems, Innospec Limited achieved the Authorized Economic Operator (AEO) (Customs) accreditation in 2014. This accreditation, recognized throughout the EU and internationally, is granted to companies that satisfy the strict customs criteria, demonstrating consistent quality, compliance and trustworthiness in the international supply chain.

As well as our relentless commitment to security, quality, and compliance, we work closely with customers to demonstrate the efficiency of our products. In 2014 we conducted trials to show the beneficial impact of Innospec additives in reducing the fuel consumption in trucks. One such trial on a heavy duty fleet in France was carried out to demonstrate how our Powerguard technology reduced CO₂ emissions and improved fuel economy. The trial concluded that our Powerguard diesel deposit control additive achieved a reduction in fuel consumption and CO₂ emissions of 3.1%. As a result of this trial our customers who use the Powerguard additive technology for heavy duty diesel applications can now meet the criteria for the Certificate of Energy Savings (CEE) issued by the authorities in France. This certification allows those customers to claim tax savings from the French authorities.



17%
increase in total revenues



ADDING SUSTAINABLE VALUE

Adding sustainable value is the focus of our sustainable development strategy. We add this value by managing a competitive and economically sustainable company. We deliver innovative solutions to meet customer needs, helping them to achieve their goals.

Our open and on-going engagement with key stakeholders is an essential element in Innospec's continued success. It has enabled us to understand and take into account their varied perspectives during the development of our sustainable strategy.

In 2014 we conducted a materiality assessment in which each identified area of sustainability was ranked in terms of its value and importance to both ourselves and each of our key stakeholders. This enabled the priority areas for our developing strategy to be selected. The outcome has been the creation of a strategy that builds on our achievements to date, aligns with our strategic objectives and reflects stakeholder expectations.

OUR STAKEHOLDERS	METHOD OF ENGAGEMENT
Customers	<ul style="list-style-type: none">▶ Direct discussions and provision of global customer technical support services▶ Collaboration on sustainability programs such as the Roundtable on Sustainable Palm Oil (RSPO) and the Carbon Disclosure Project (CDP)▶ Completion of Corporate Social Responsibility (CSR) questionnaires▶ Web site and press releases
Investors	<ul style="list-style-type: none">▶ Quarterly investor briefings, annual general meetings and reports▶ Sustainability reporting▶ Dedicated Investor section on our web site
Employees	<ul style="list-style-type: none">▶ Direct electronic communications and business updates▶ Ethics and compliance hotline▶ Training, personal development plans and annual performance reviews▶ Sustainable Development Network
Governance and regulatory	<ul style="list-style-type: none">▶ Direct and indirect engagement via our trade associations with governments and regulators▶ Participation in consultation processes, policy forums and advisory groups
Supply chain partners	<ul style="list-style-type: none">▶ Supplier evaluation▶ Procurement▶ Contract execution and on-going management
Community members	<ul style="list-style-type: none">▶ Local employment opportunities▶ Educational support activities, work placements and graduate programs at schools, colleges and universities▶ Community liaison meetings and participation in local community forums▶ Donations to charity and sponsorship activities
Non-government organisations, sustainability organisations and advisors	<ul style="list-style-type: none">▶ Dialogue with, and active membership of, business and industry associations▶ Participation in CDP supply chain assessment and membership of supply chain certification and RSPO

Our priority areas are:

▶ Health, safety & well-being

We aspire to lead the field in the health and safety of not only our employees, but also our contractors, the surrounding communities and others affected by our activities. Nothing is more important to us.

▶ Employees

The hard work, skills and commitment of our team differentiate our business, helping us stand out from our competitors and ensure our long-term success. Through support, training and development programs, we invest in our employees, contributing to a more sustainable future.

▶ Environment

Understanding the environmental impact of our activities helps us to identify opportunities to reduce it, as well as develop innovative solutions to protect the environment we operate in.

▶ Ethics & governance

Honest, ethical and transparent conduct is vital to the success of our business. Every employee plays an essential part in ensuring we comply with laws, rules and regulations to safeguard our reputation at all times.

▶ Product sustainability & innovation

By creating a supportive environment for innovation, we inspire our people and encourage the creation of safe, sustainable and successful products, meeting the needs of our wide range of customers and the markets that they serve.

▶ Community engagement

Supporting the communities in which we operate has a positive impact on our employees, their families and society. Our involvement in community education opportunities, fundraising and sponsorship activities plays an important role in helping us achieve our goals.

▶ Supply chain management

Managing and assessing our supply chain enables us to ensure compliance with all legal, ethical and social responsibility requirements. We also seek out opportunities to reduce the environmental footprint of our supply chain, reducing emissions and improving economic productivity along the way.

▶ Economic growth and financial performance

Our financial success generates wealth for our employees and shareholders, as well as the communities in which we operate. Without the achievement of our growth targets and the delivery of shareholder value, our future would be cut short.

In order to ensure that these priority areas are embedded within our company, the executive team set objectives and targets which are cascaded down throughout the organization.

Our performance against these objectives is reviewed annually at corporate, business and, where applicable, individual employee level. This not only ensures that we are all working towards the same sustainability goals, but that we can evaluate the progress made.

In 2014 we continued our commitment to supporting external programs that complement our strategy. We have continued our support for the production and use of sustainable palm oil contained in a number of our personal care products, through our membership of the Roundtable on Sustainable Palm Oil (RSPO). The RSPO is a not-for-profit organization that promotes the growth and use of sustainable palm oil products through credible global standards and stakeholder engagement. Visit www.rspo.org for further information.

After joining RSPO in 2013, we committed to gaining RSPO certification for all relevant

manufacturing sites by the end of 2015. We actually achieved this goal in October 2014, over 12 months early. We continue to engage with our suppliers with the aim of obtaining palm kernel oil-derived materials that are from RSPO certified sources.

In 2014 we also participated for the first time in the Carbon Disclosure Project (CDP) supply chain assessment. The CDP, working with thousands of organizations around the globe, aims to transform the way the world does business. It targets the prevention of climate change and protection of natural resources. Our performance was benchmarked against 3400 other companies. We were delighted that our scores placed us in line with, and in some cases significantly ahead of, our industry group peers. For more information on the CDP, visit www.cdp.net.

Cementing our commitment to improving our environmental and social practices we also participated in the EcoVadis Corporate Social Responsibility (CSR) evaluation assessment.



We were pleased to be awarded a 'silver' rating, recognizing our ethics, environmental and social practices, and our influence within our supply chain. EcoVadis operate the first collaborative online platform which allows companies to monitor the environmental and social performance of their global suppliers. More information on EcoVadis can be found at www.ecovadis.com.

Broadening our range of activities in caring for the environment, our Vernon site supported a biodiversity program which promotes the sustainable farming and preservation of bee colonies.

Through this program, Innospec sponsored a number of beehives located in Indre, France. Our involvement means that 200 million flowers will be visited each year by Innospec bees



COMMITTED TO COMPLIANCE

Compliance is a non-negotiable core element of our approach to doing business. We have systems and procedures in place that ensure we are an ethical company that not only complies with its regulatory responsibilities, but that also acts with integrity in all areas of our operations.

In the last few years, we have developed and implemented a compliance program that reflects these qualities in a robust and meaningful way. This program is reviewed annually to ensure that we maintain its efficiency and responsiveness and to identify any opportunities to build on its overall effectiveness. For example, we are currently exploring the benefits of introducing an automated due diligence platform to help streamline the program. In 2014 we conducted five compliance audits which included all potential acquisitions.



Embedding a culture of compliance in everything we do requires effective training to ensure all our people understand and adhere to our approach. At the end of last year, we migrated our online compliance training program to a more user-friendly platform. Ensuring the highest ethical standards are maintained at all times, the program is operated in partnership with SAI Global and was extended in 2011 to include all agents and third party representatives. The revamp of the program has included a new interface, additional delivery methods and new courses, such as the Gifts and Hospitality Barometer.

We acknowledge too, that an independent, expert opinion is vital to helping us maintain our focus. We have therefore built an extensive team of highly experienced legal experts to advise on issues such as anti-corruption measures. These external advisors support our in-house legal and compliance team with advice and due diligence matters.

Our compliance policies, procedures and controls are monitored by the Compliance Steering Group, which meets every month. This group reports through the Nominating and Corporate Governance Committee of the Board of Directors. The steering group comprises of our Chief Compliance Officer, Head of Business Assurance and senior business, purchasing and supply chain representatives.

Of course, 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 work with share our values. All potential suppliers are screened to ensure they are not currently on any global sanctions or debarred lists. We insist on 100% completion rates of our third-party training modules. If the training is not completed in a reasonable timeframe, we put the business on hold. If training is still not undertaken, the relationship is terminated. We had 357 third parties enrolled for our ethics and compliance training in 2014, demonstrating their commitment to uphold our ethics and standards.

In 2014, only two third-party accounts were terminated due to failure to complete compulsory compliance modules and certifications. In addition, one account has been placed on hold due to the lack of completion of the Annual Certification that must be obtained by certain third parties, despite numerous reminders to the company and individuals involved.

In addition to our thorough training and inspection processes, we undertake due diligence on our agents every two years. Our distributors and consultants are subject to the same checks every three years. These investigations include screening, interviews and questionnaires.

We are committed to the responsible sourcing of materials which includes ensuring that our products are conflict minerals free, as defined under Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In 2014 we established a conflict minerals position statement and introduced a clause to our standard terms and conditions of purchase. This requires suppliers to ensure that conflict minerals are not necessary to the functionality or production of the raw materials supplied to Innospec.

We believe our policies, procedures and programs, together with our commitment to conducting business in an ethical, responsible and conscientious way, is embedded in our operations and is part of our corporate culture. We will continue to treat compliance as a non-negotiable part of working life, with a program featuring all the hallmarks of an effective compliance program.

MONITORING OUR PERFORMANCE



We are committed to acting responsibly towards the environment and ensuring that we use resources as efficiently as possible. As part of this pledge we monitor our performance in four key areas: Greenhouse Gas (GHG) emissions, energy use, water use and hazardous waste produced. In addition we continuously review advancing technologies and processes so that we can actively seek out opportunities to improve this performance.

The key highlights of our 2014 environmental performance are presented on pages 12 and 13 of this report. Since 2013, we have included data from our acquired companies, which has delivered an improvement in our overall performance. Excluding this data the performance of our existing facilities on a like-for-like basis would have been flat or shown an increase in reported figures when compared to 2013. The year on year fluctuations are as a result of varying product mix. Since 2005/2006 our existing sites have achieved around 50% or better improvements in their performance. Further improvements present new challenges which will require longer timescales to deliver.

GHG emissions

In line with global standards our emissions are measured according to the GHG Protocol, developed by the World Resources Institute and the World Business Council for Sustainable Development.

Under the GHG Protocol, three 'scopes' are defined for accounting and reporting purposes. The UK Department for Environment and Rural Affairs (Defra) recommends that companies account for and report on scopes 1 and 2 as a minimum, as the measures are directly affected by the actions of individual organizations. Scope 3 is a voluntary measurement. Our scope 1 and scope 2 emissions per tonne of product produced have decreased by 13% since 2013 and 61% since 2006.

Energy efficiency

Every year, we seek out potential initiatives to reduce the amount of energy we use per metric tonne of product produced across our sites.

In 2014, we progressed the upgrade of the electrical infrastructure at Ellesmere Port, together with the installation of new Power Factor Correction (PFC) equipment, as part of the site's ongoing electrical rationalization and upgrade program. This removal of inefficient and idle transformers will equate to a 3.4% saving in energy usage at the Ellesmere Port site based on 2014 electricity consumption. We also started to replace the site's aging and over-sized air compressors with high efficiency units. These new compressors recover energy from the heat generated in compressing the air to offset gas usage in heating the boiler feed water, avoiding the need for a separate cooling tower. This new installation will result in a 2% reduction in energy usage, saving money and reducing the carbon footprint of the Ellesmere Port site.

Such is the success of the Ellesmere Port program, we have carried out an energy survey at our Widnes facility to identify similar potential energy reduction opportunities. In North Carolina we are undertaking numerous campaigns at both our High Point and Salisbury sites to reduce energy consumption. For example, turning off equipment and lighting when not needed for production, using thermal imaging equipment for electrical connection maintenance, and introducing a number of technical measures which aim to improve the efficiency of plant and processes.

Through energy efficiency initiatives like these, we have achieved a 59% reduction in energy use per tonne of product since 2006, and a 17% decrease between 2013 and 2014.

Water use

We closely monitor and review our water usage with the aim of reducing and eliminating water losses and making our cooling systems as efficient as possible.

During 2014, water efficiency projects at our Vernon site saw the amount of process water recycled increase from 4.9% to 5.6% in 2014, and water consumption reduced in our iron and magnesium soap processes. Initiatives

such as replacing aging underground water ring mains, identifying and targeting excessive usage and repairing underground fire hydrants have been designed to achieve reductions at Ellesmere Port and Widnes. At our High Point and Salisbury sites in North Carolina, new water meters enable us to target monitoring and reduction opportunities more effectively. We have also installed on-off valves on steam jets to facilitate improved control of water usage and reduce waste; introduced processes to use recycled water to clean vessels, floors and reactors; and improved operator training on control rates for water usage to minimize excessive use and waste.

Our ongoing improvement programs have enabled us to achieve a 75% reduction in water use per tonne of product since 2005, with a 7% decrease between 2013 and 2014.

Hazardous waste

Since 2005, we've reduced by 48% the amount of hazardous waste we produce per tonne of product, decreasing it by 14% in the last 12 months alone. We are continually looking at new ways to help us further reduce the waste generated by our facilities. The installation of a residues pre-heater on the feeds to two of the steam boilers at Widnes has enabled a 6.5% increase in waste residues burnt as a fuel. This not only reduces the amount of hazardous waste sent off site for disposal but also reduces the amount of imported fuel. At our Vernon site we exceeded our target of 2.5% of organic waste sent for recovery, achieving 3.1%.

In the US our R&T facility in Newark, Delaware, has introduced a multi-stream recycling initiative in partnership with the Delaware Solid Waste Authority (DSWA), who provide a safe way of recycling non-hazardous waste streams through efficient and convenient collection programs.



MANAGING HEALTH AND SAFETY



We set high standards for process and occupational safety.

Maintaining our excellent level of health and safety performance is fundamental to the success of our business. We are constantly evolving our health and safety systems and procedures to ensure they continue to reflect the concerns and risks we face, with a focus on continuous improvement. Through our efforts we have established a strong culture of safety within our organization and this is reflected in our performance.

Internal encouragement and external recognition

We believe that recognizing the good safety performance of our people is key to nurturing a culture of 'Safety Comes First'. In 2014 we introduced a new Innospec Corporate Safety Plaque Award Program to run in parallel with our long standing Man-hours Worked without an Innospec Reportable Lost Time Accident (IRLTA) Certificate program. The new award has been introduced in recognition that some of our smaller sites and operations would have to wait a large number of years to obtain a Corporate Safety Certificate. The program rewards sites for achieving certain calendar milestones without any IRLTAs. A number of external organizations also recognized our commitment to health and safety during 2014. See pages 14-15 for further details.

Lost Time Accidents

We recognize that maintaining this level of performance requires continuous vigilance by everyone that works for Innospec. This was reinforced in July 2014, when we had to report an Innospec Reportable Lost Time Accident (IRLTA) at our High Point site when a trainee operator sustained scald injuries to his leg. In response to this accident, supervision of trainee operators was strengthened.

In November 2014, a second IRLTA accident occurred at our Leuna site. An operator broke her leg when she fell from a low height step used to access a valve in a tank farm. Following this accident the manual valve has now been replaced with an actuated valve removing the need for a platform. A review has also been carried out of similar systems for access with improvements made where required.

Training and support

Training is vital in maintaining our high standards of health and safety. We invest in ensuring our people are equipped with the skills and knowledge to carry out their roles safely and successfully. Behavioral safety continued to be a focus area in 2014 with manufacturing facilities conducting training programs that emphasize our principle that 'Safety Comes First'. Our Ellesmere Port site's behavioral safety refresher program was rolled out to 215 people across the site. The program focuses on the behavior of employees when carrying out their jobs, and is designed to understand why accidents occur and what can be done to change the behaviors that lead to these outcomes.

All manufacturing sites need to be prepared and able to provide a safe and competent response to an on-site emergency. To support their emergency response plan, our Ellesmere Port site provided their emergency responders with a bespoke incident command and control course which was provided by Cleveland Fire Brigade Risk Management Ltd. As part of the transition of their operations which now fall under the EU SEVESO Directive, our Vernon site in France carried out their first full-scale emergency training exercise involving the local emergency services.

The health and well-being of our employees is also important to ensure that we maintain a sustainable workforce today and in the future. We promote and support an active lifestyle and put initiatives in place to allow our staff to maintain their well-being. For example our Leuna site continued their range of activities to encourage exercise and healthy living in 2014. These included dragon boat races, a corporate triathlon and an annual 'health day', including skin screening, first aid courses, and influenza vaccinations. Our North Carolina wellness program also aims to motivate people to live more healthily, through activities such as a 'walk to work' initiative. Employees also receive credit into their company health insurance account for taking part in selected health initiatives.

Process safety management and leadership

Process safety plays a fundamental role in maintaining a sustainable business. Our process safety standards are developed in line with industry best practice to control our critical hazards. Compliance with these corporate standards is monitored by process safety audits that are carried out by our Corporate SHE team. Our process safety performance indicators (PSPIs) monitor all programs and activities targeted at reducing process safety incidents. Each site's PSPIs, along with the outcome of the corporate process safety audits, are discussed by the Executive Team at their quarterly SHE review.

Our process safety leadership program, introduced in 2010, 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 all participating Executive Team members have been trained on critical aspects of process safety. All eight manufacturing facilities, which were scheduled to receive a process safety leadership visit in 2014, were visited, meeting one of our corporate objectives for the year.





OUR PEOPLE - OUR PRIORITY.

People are at the heart of our business. It is their skills, commitment and enthusiasm that have driven our growth over the past years. In recognition of this, we believe in investing in the resources and facilities to look after, support, train and communicate with our team members across the globe. The more we invest in our people, the more they invest their time, abilities and energy in us which is essential for building a sustainable business.

Company activities

Throughout 2014, we reinforced our commitment to supporting the career development of our staff at every level. In 2013, we introduced our Leadership Program, which is designed to identify and develop the leaders of tomorrow, ensuring the sustainable management of the company in future generations. Twelve people from across the global company took part in the 2014 program.

The development and improvement of the methods we use to deliver our training requirements is also a focus area for the company, ensuring that the training offered is engaging and effective. At our Ellesmere Port site, we have introduced a new online training platform called Enterprise E-learning, which instructs employees on approved general health, safety and environmental training modules. It provides a highly flexible system, enabling users to complete the course at a time that suits them, using any computer with internet access.

The system, purchased for 150 manufacturing site personnel, can also be used to deliver bespoke courses of our own, which we plan to develop in the future.

We believe in supporting young talent and appreciate the importance of allowing students and graduates to experience our business first hand, strengthening their understanding and boosting their future potential. Keen to encourage the next generation of scientists and engineers, our Ellesmere Port and Widnes sites engaged in a pilot partnership program to provide work experience to graduate engineers. This partnership with ABB Consulting, a global provider of engineering and technical support, aims to provide the graduates with hands on industrial experience to enhance their development. Meanwhile, our R&T facility in Newark continued its long standing intern program with the University of Delaware, offering students the opportunity to gain practical experience in industry. These activities help us to nurture the new minds that could add real value to our business now, and in the future.

Our investment in our existing employees has also been acknowledged with Ellesmere Port attaining CIMA accreditation for its finance training. CIMA, the Chartered Institute of Management Accountants, is acknowledged globally as the quality training standard in management accounting. The first graduate to be employed under our new graduate training program, Georgina Corden, will be following a three-year program designed to work alongside her CIMA study syllabus, providing on-site practical experience linked to her theoretical studies.

We recognise the importance of the contribution our people make to the company and look for ways in which we can reward our employees by sharing in our long term success. Following the success of the first Sharesave program

launched in 2010, we opened our second Sharesave Offer in 2014. The 2014 program has been taken up by 58% of our employees.

Awards and recognition

It is always a pleasure to see the expertise of Innospec employees recognised by others. Based at our R&T facility in Newark, our Industry Liaison Manager, Rick Chapman, along with Dr James Barker, a Research Fellow based at our Ellesmere Port R&T facility, both received industry awards from the American Society for Testing and Materials (ASTM). This international standards organization develops and publishes voluntary consensus technical standards for a variety of materials, products, systems and services. The awards were in appreciation of their many years of outstanding service and active participation in the work of the global standards body.

In July 2014, Marie Connor, our Ellesmere Port site Health, Safety and Environmental Manager, was presented with the Distinguished Service Award from the Society of Chemical Industry (SCI). The award was made in recognition of her contribution to the promotion of the Society in the Liverpool and North West region. The SCI is a multidisciplinary forum that brings science and business together so that information can be shared between sectors and new opportunities identified. We have been proud to support her endeavours through sponsorship, hosting and participating in SCI events.



Marie Connor, SHE Manager, Ellesmere Port



CONNECTING WITH OUR COMMUNITY

The way we interact and support the social and economic development of the communities in which we operate continues to play an important role in helping us to achieve our sustainability goals. By collaborating with charities and becoming involved in local issues, we have gained a reputation as a company that plays a positive part in local community related initiatives.

Fundraising

In August, over 200 of our customers, suppliers and partners gathered at a golf fundraising event in Lone Tree, Colorado to raise money to help the Pentagon Federal Credit Union (PenFed) Foundation support its Military Heroes® Fund. As a result of the generosity of sponsors, participants and contributors, the event raised almost US\$80,000.

Back in the UK, a gathering of superheroes took part in a 17-mile Funathon, which saw walkers, runners and cyclists make their way between our Ellesmere Port and Widnes sites. The superhero fancy dress theme added to the enjoyment of the event, which raised over £4,800. The money will be used by Hinderton School, Clatterbridge Cancer Centre and Halton Haven Hospice to help them continue their valuable work, research and support within their local communities.

In 2014 our sites and employees have taken part and provided assistance to over 85 local charities by supporting their awareness campaigns, transport needs, luncheon clubs, sports kits, firework displays, cake sales, raffles and many other fundraising events and activities.

Community engagement

‘Sport in the Port’ is a major event designed to encourage the community around Ellesmere Port to get involved in sport and charity events. We co-sponsored the event in June, which attracted over 1000 runners, walkers and spectators from the local community. Family and friends were also on hand providing support to the runners along the route, ten of which were our own Ellesmere Port employees.

For many years, the Ellesmere Port Site Christmas lunches have been accompanied by choirs from two local primary schools. Afterwards, the children and their teachers enjoy an ‘after party’ as a thank you, and receive a donation towards the schools’ educational activities. We also host an annual Children’s Christmas Party for around 100 local children who are family and friends of employees based at our Ellesmere Port Manufacturing facility.

Our Vernon site has continued to participate in the Groupement Interprofessionnel de la Région de Vernon (GIRV), boosting employment and training opportunities in the region. GIRV consists of a group of almost 100 industries in the Vernon area that are concerned with local economic activities. In addition to these undertakings, we have maintained our involvement with The White Butterflies, the largest care provider in the region, to support employment opportunities for people with learning difficulties. Our Vernon site supports this organization by engaging their gardening service which brightens the manufacturing facility with flowers and plants. Our Salisbury plant in North Carolina continued their support of the Red Cross Blood Drive in 2014 with employees donating 20 units of blood to the cause.

Education

Our promotion of science and technology to young people in local schools is aimed at encouraging pupils to take up careers in these subject areas, helping to maintain a sustainable workforce for the future. At Whitby High School’s Science and Innovation day, a team from our Ellesmere Port site were invited to provide insight into our business activities and areas of research. Peter Clark and Matthew Giles, both R&T chemists within

our performance chemicals business, gave a one hour long lesson on how to create shampoo formulations. The session involved the explanation of the definition and importance of surfactants along with a practical demonstration.

Our Ellesmere Port site was also asked to develop a science workshop that The Catalyst Museum in Widnes, UK could deliver to children from schools across North West England. The workshops, titled ‘Up Close and Personal’, centered on the personal care industry and focused on the functions of some of our products, including shampoos and other cleansing products.

Our sites regularly invite school children to visit to learn more about the business. Parties of students tour the Ellesmere Port facility and speak with the R&T department in each business. Our personal care team also demonstrate how various formulations are created, providing real insight into the chemistry behind personal care products.





ASSURANCE STATEMENT 2014

Methodology

Jacobs has conducted an independent assurance of the 2014 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 latest SD report presents information on its activities across the various SD areas of environment, ethics & compliance, health & safety, employees and communities. We are pleased that the appointment of a Group SD Manager in 2013 has given increased focus on SD activities. Notable activities have included the completion of a Group level SD materiality assessment and the production of a SD Strategy to provide the structure for future improvements to SD performance.

Innospec has continued to develop its stakeholder engagement process and in 2014 a range of internal and external stakeholders were consulted in the development of the SD materiality assessment. Led by the Group SD Manager and with support from the Executive Team, the business has formalised its SD objectives for 2015 – 2017. The business has demonstrated that the material SD issues, identified through stakeholder engagement, have been considered in developing the objectives. The 2014 report describes these positive developments and in future reports it will be important to show progress against these SD objectives.

Best practice requires that an annual review of the materiality assessment and the associated objectives should be recorded. We would encourage Innospec to formally document this process to show the clear linkage between stakeholder consultation and the prioritisation of SD issues to which Innospec is responsive.

Innospec has reviewed the format of its previous SD reports and this year's report format has been improved to be more visually appealing, this will hopefully lead to greater engagement from internal and external stakeholders.

The majority of the performance data is summarised effectively in the first section of the report. During this assurance exercise, Innospec has been able to demonstrate consistency and robustness in its data collection at a Group and site level, which has provided us with confidence in the reported data. We recognise the impact of annual variations in product mix on resource use. However, the 2014 data is also impacted by three newly acquired sites. These new sites use little energy or water in their production processes and so their inclusion has favourably impacted the Group's environmental performance. To enable a more transparent presentation of data, consideration should be given to complementing Group level data with that of the individual sites. We also believe the SD report could be strengthened through presentation of site level SD targets alongside the performance data and to show the link from the site level targets to the Group level SD objectives. Common practice which could be considered is to present more detailed site level data on a website with signposting from the SD report.

We would encourage responsibility for implementation of the SD strategy to be shared across the business to drive change on all sites, and create a wide sense of ownership. To ensure consistency of data reporting approaches and to reduce the risk of reliance on key staff, we encourage Innospec to further develop their reporting principles framework and guidelines. These could be developed as part of the implementation of the SD strategy, which requires responsibilities and actions for implementation of the strategy to be established. Overall, 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 in 2014.

Rachel Pickering

Environment & Community Practices Manager, Jacobs

R.E. Pickering





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If you would like to provide feedback
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