

Sustainable Development Report **2015**



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OUR 2015 **SUSTAINABLE DEVELOPMENT** REPORT



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WELCOME

TO OUR LATEST ANNUAL SUSTAINABLE DEVELOPMENT REPORT, NOW IN ITS 17TH YEAR. WE'LL LOOK BACK AT THE ACTIVITIES WE HAVE UNDERTAKEN WHICH HAVE HAD A DIRECT IMPACT ON OUR BUSINESS, OUR CULTURE AND OUR VISION OF ADDING SUSTAINABLE VALUE TO THE COMPANY AND ITS STAKEHOLDERS.

We first began to report on sustainability issues in 1999 and our approach continues to evolve. This report outlines our strategy for the Social (including health, safety and community programs), Environment, Governance and Economic pillars of sustainability, and provides an update on our 2015 activities and plans for 2016.

2015 was a year of success and change for Innospec. We're proud to have exceeded sales of US\$1 billion for the first time, demonstrating the success of our strategy, and the efforts of our employees.

Monitoring and reducing our impact on the environment continues to be a key focus for our company. Our efforts can be demonstrated by the reductions in our greenhouse gas (GHG) emissions, energy,

water use and hazardous waste produced compared to previous years.

Maintaining our excellent level of health and safety performance is vital to the success of our business, and we set stringent processes for safety across all our operations. This is reflected in our strong safety culture and the role we play in helping to define industry standards. In 2015, we continued to drive momentum in process safety leadership and management, which remains a key focus area.

External recognition and certification is an important aspect of our business, assuring our customers of the best performance, quality and safety of all our products. This year we received awards and certifications across many of our sites from organizations such as the European Federation for Cosmetic Ingredients (EFfCI), Royal Society for the Prevention of Accidents (RoSPA), and the expansion of our ISO 50001 accreditation to our sites in Ellesmere Port, UK and Herne,

Germany. We continue to strengthen and further develop our process for reporting sustainability performance data with the successful assurance of this year's report to the globally recognized AA1000 standard for the first time.

Our global team of talented employees forms the heart of our business. It is their skills, dedication and passion that enable us to achieve the highest possible standards. We believe in investing in a range of training and career development initiatives, in order to provide our employees with the greatest opportunities to achieve their potential.

In 2015, we made significant strides to drive improvement across Innospec. After two years of design, development, testing and training, we completed the second roll-out of Microsoft Dynamics AX, our new enterprise resource planning (ERP) system. This represented one of the biggest changes to the way we operate and could not have been possible without the commitment and hard work of all our

people. Our extensive and comprehensive Knowledge Management initiative also gathered significant momentum, which will ensure the capture, protection, sharing and preservation of information critical to our business.

Supporting and developing long-standing relationships with the communities that are local to our operations is fundamental to our strategy. In 2015, we continued to support a wide range of charities, demonstrating our commitment to the good causes that matter to our employees.

As our journey continues towards building a more sustainable business, we can take this opportunity to reflect on the excellent progress we have made. 2015 was an exciting and successful year for Innospec, and we are proud to highlight our progress, while providing an insight into our future plans.

INSIDE INNOSPEC



NET SALES 2015

**US\$1
billion**



**1322
EMPLOYEES**

As at 12/31/15

**based in 20 countries
across 5 continents**



**LISTED ON
NASDAQ
(IOSP)**

**EMPLOYEE
LENGTH OF
SERVICE**

33%
10 YEARS
or more

48%
5 YEARS
or more

GENDER DIVERSITY

28%
female*



21%
**female
senior
managers**

*Industry average 26%

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

WORLDWIDE LOCATIONS



NORTH & SOUTH AMERICA

- 1 California, USA ●●●●
- 2 Louisiana, USA ●●●
- 3 North Carolina, USA
• Salisbury ●●●●
• High Point ●●
- 4 Texas, USA
• Houston ●●●
• Midland ●●●
• Pleasanton ●●●
- 5 Oklahoma, USA ●●●●
- 6 Newark, Delaware, USA ●●●
- 7 Englewood, Colorado, USA ●●●●
- 8 Rio de Janeiro, Brazil ●●●
- 9 Itajaí, Brazil ●●●
- 10 Calgary, Canada ●●●

KEY

- Manufacturing
- Technology
- Head Office
- Offices / Sales

INNOSPEC AT A GLANCE

We are a global specialty chemicals company focused on bringing new innovative technologies to our customers. Our strong R&T (Research and Technology) pipeline alongside our fast and responsive customer service enables us to provide effective, innovative solutions to our customers.



EUROPE

- 11 Ellesmere Port, UK ●●●●
- 12 Herne, Germany ●●●●
- 13 Leuna, Germany ●●●●
- 14 Vernon, France ●●●●
- 15 Millbrook, UK ●●●●
- 16 Budapest, Hungary ●●●●
- 17 Limassol, Cyprus ●●●●
- 18 Madrid, Spain ●●●●
- 19 Milan, Italy ●●●●
- 20 Moscow, Russia ●●●●
- 21 Piraeus, Greece ●●●●
- 22 Zug, Switzerland ●●●●

MIDDLE EAST / AFRICA

- 23 Cape Town, South Africa ●●●●
- 24 Dubai, UAE ●●●●
- 25 Manama, Bahrain ●●●●

ASIA PACIFIC

- 26 Beijing, China ●●●●
- 27 Guangzhou, China ●●●●
- 28 New Delhi, India ●●●●
- 29 Singapore ●●●●
- 30 South Korea ●●●●

2015 COMPANY STRUCTURE – 3 BUSINESSES

FUEL SPECIALTIES

Focused on Fuel

US\$758million
NET SALES

Fuel Specialties

We specialize in providing fuel additives and treatments for a complete range of petroleum-derived products, from heavy fuel oil right through to gasoline. Customers benefit from our innovative technology in detergents, cold flow improvers, lubricity improvers, corrosion inhibitors and conductivity improvers to diversify and add value to their products.

Oilfield Services

Changes in oil and gas exploration and the move to more unconventional extraction methods is driving growth in this business. We have expanded our product range in this market through the acquisitions of Strata Control Services, Bachman Services and Independence Oilfield Chemicals (IOC). This has provided our customers with novel technologies that deliver efficient drilling and fracking, flow assurance and asset integrity.

PERFORMANCE CHEMICALS

Blending Science with Creativity

US\$195million
NET SALES

We work with some of the world's largest brands of beauty and personal care products. Our product ranges provide manufacturers with opportunities to create exciting consumer products with real appeal. We combine innovative ingredient technologies, such as surfactants, solubilizers and emollients and silicones, with formulation expertise to deliver the right blend of science and creativity.

OCTANE ADDITIVES

Responsible Supply and Stewardship

US\$60million
NET SALES

As motor gasoline continues to transition to unleaded fuels, we support plant and refinery customers through this process. As a responsible manufacturer of tetraethyl lead (TEL), we continue to provide environmental remediation services, product stewardship and safety training alongside our technical expertise and engineering support.

2016 NEW COMPANY STRUCTURE – 4 BUSINESSES

FUEL SPECIALTIES

PERFORMANCE CHEMICALS

OILFIELD SERVICES

OCTANE ADDITIVES

SUSTAINABILITY

OUR SUSTAINABILITY JOURNEY



This year's sustainability report gives an overview of our continued progress and efforts that are building momentum year on year. We first began to report on sustainability issues in 1999 and have since continued to evolve our approach, taking into consideration the growing requirements and expectations of the industry, the governance authorities and our other stakeholders.



1999
**FIRST SUSTAINABLE
DEVELOPMENT REPORT**
published



2010
**SUSTAINABLE
DEVELOPMENT NETWORK**
created to review and develop
our strategy



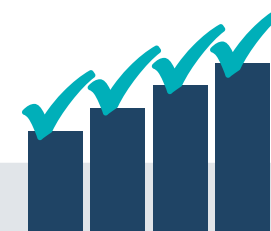
2013
ALLOCATED ADDITIONAL RESOURCING
to sustainability and appointed our first
Group Sustainable Development Manager,
Helen Coy



2012
**WORKSHOP TO FURTHER
INFORM** our strategy,
identify industry best practice
and stakeholders



2014
**UNDERTOOK A MATERIALITY
ASSESSMENT** to understand stakeholder
priorities and expectations, helping to inform
our values and to identify focus areas and
activities for 2015/16



**DELIVERING OUR FOCUS
ACTIVITIES;** monitoring
and reporting progress

2015

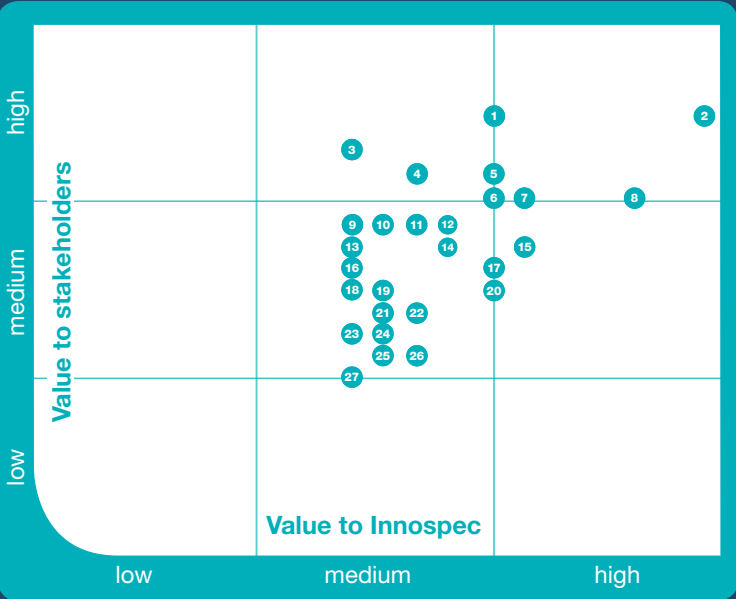
WORKING TO UNDERSTAND THE EXPECTATIONS OF OUR STAKEHOLDERS

Transparent and effective engagement with stakeholders is essential to the success of our business. One good example of this is our materiality assessment, which helped guide the development of our sustainability strategy by identifying the issues that add significant value. We undertook an assessment to understand which issues add the most value to Innospec as a business, and those which add the most value to our stakeholders. Those that scored highly were deemed potential material issues and underpinned the creation of our strategic values and focus areas.



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 CDP (formally the Carbon Disclosure Project) ▶ Completion of Corporate Social Responsibility (CSR) questionnaires ▶ Website 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 website
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 organizations, sustainability organizations 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

MATERIALITY OVERVIEW



- 1 Health and Safety
- 2 Financial Performance
- 3 Sustainability Reporting Framework
- 4 Supply Chain Evaluation and Management
- 5 Product Stewardship
- 6 Product Innovation
- 7 Energy Management
- 8 Climate Change
- 9 Biodiversity
- 10 Product Sustainability
- 11 Regulation
- 12 Governance, Ethics and Transparency
- 13 Community Engagement
- 14 Water Management
- 15 Life Cycle Analysis
- 16 Land Use
- 17 Waste Management
- 18 Employee Health and Wellbeing
- 19 Certified Environmental Management System
- 20 Supply Chain Emissions
- 21 Diversity and Equal Opportunity
- 22 Employee Education, Development and Satisfaction
- 23 Certified Safety Management System
- 24 Resource Data Capture and Validation
- 25 Sickness Absence and Rehabilitation
- 26 Product Packaging
- 27 Communication

OUR SUSTAINABILITY STRATEGY

Our sustainability strategy is delivered against four pillars that represent our overall approach to responsible business. These pillars span the core social, environment, economic and governance elements of sustainability. Under each pillar are the values we commit to as a business.

SUSTAINABILITY PILLARS				
OUR SUSTAINABILITY VALUES	SOCIAL	ENVIRONMENT	GOVERNANCE	ECONOMIC
	Caring for people	Conserving the environment	Leading by example	Responsible growth
FOCUS AREAS	<p>Health, safety and wellbeing</p> <p>Nothing is more important to us. We aspire to lead on the health and safety of our employees, contractors, surrounding communities and anyone with the potential to be affected by our activities.</p> <p>Community engagement</p> <p>We support local communities through education opportunities, fundraising and sponsorship opportunities.</p>	<p>Environment</p> <p>We look to understand and reduce the impact of our activities, as well as develop innovative solutions to help protect the environment.</p> <p>Product sustainability and innovation</p> <p>We encourage a culture of innovation and responsible resource use. This is designed to inspire and encourage the creation of safe, sustainable and successful products that meet the needs of society.</p>	<p>Governance</p> <p>We understand that honest, ethical and transparent conduct is vital to our success and reputation. Every employee plays an essential part in complying with the laws, rules and regulations.</p> <p>Supply chain management</p> <p>We manage our supply chain to comply with legal, ethical and social requirements, whilst also finding opportunities for environmental improvement and economic efficiency.</p>	<p>Economic growth and financial performance</p> <p>We seek to generate economic benefits for our employees and shareholders, local communities and wider society.</p> <p>Employees</p> <p>We believe our hardworking team is our greatest asset; investing in their growth and development helps us stand out from our competitors and achieve long-term success.</p>

ENVIRONMENT

Focus Activities for 2015/2016

- Further develop a greenhouse gas (GHG) emissions and energy reduction program.
- Identify further viable water and waste reduction projects.

Progress in 2015 and plans for 2016

- We have established a climate change position statement and improved our CDP score. We will continue our on-going programs to reduce our resource use and increase the recycling / recovery of our waste streams.

EMPLOYEES

Focus Activities for 2015/2016

- Implement an internal sustainability strategy communication and training program.

Progress in 2015 and plans for 2016

- We will utilize our Sustainable Development Network to identify communication and training approaches to help embed our strategy.

GOVERNANCE

Focus Activities for 2015/2016

- Continued Roundtable on Sustainable Palm Oil (RSPO) membership, certification and supply chain sourcing.
- Implement an internal sustainability reporting framework and guidelines.

Progress in 2015 and plans for 2016

- Certification of all our applicable manufacturing facilities in 2015 means that we can now offer RSPO Mass Balance certified products to our customers, subject to supply chain availability.
- In 2016, we will introduce our new standardized Environmental Performance Reporting (EPR) platform, to all our manufacturing facilities.

PRODUCT SUSTAINABILITY AND INNOVATION

Focus Activities for 2015/2016

- Development of Innospec product sustainable evaluation assessment criteria.

Progress in 2015 and plans for 2016

- In 2015, we identified a set of sustainability criteria based on a product's life cycle which we will trial on new products in 2016.

HEALTH AND SAFETY WELLBEING

Focus Activities for 2015/2016

- 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 (LOC) events.

Progress in 2015 and plans for 2016

- All operational facilities have behavioural safety programs and are on track to achieve compliance with the corporate process safety standards.
- 20% reduction in the number of LOC events having the potential to develop into a more serious event. Our LOC reduction program will continue.

COMMUNITY ENGAGEMENT

Focus Activities for 2015/2016

- Identify a corporate supported community program.

Progress in 2015 and plans for 2016

- An Innospec cares program will be launched that will make additional funds available to charities and good causes chosen by our employees.

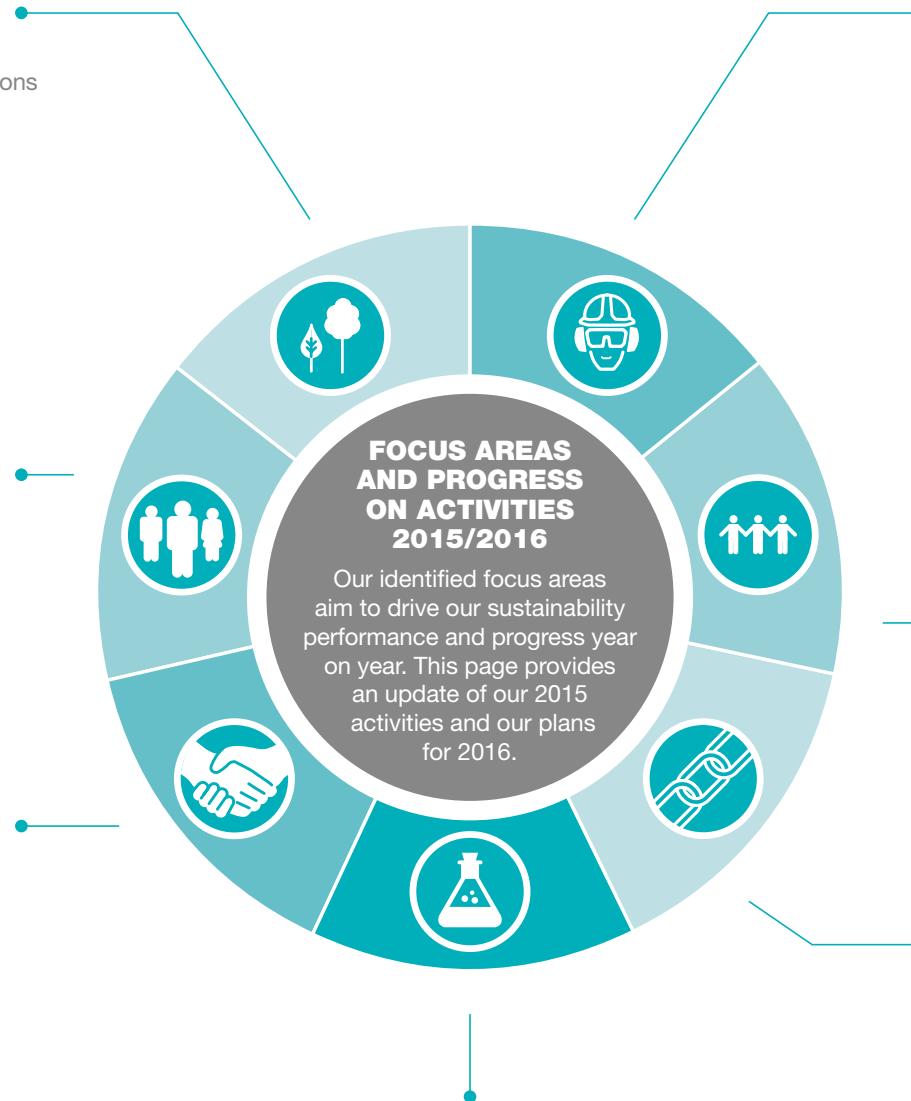
SUPPLY CHAIN MANAGEMENT

Focus Activities for 2015/2016

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

Progress in 2015 and plans for 2016

- In 2015, we have selected the EcoVadis supplier assessment platform to take forward in 2016. We will conduct a sustainability and risk mapping exercise of our top 50 material suppliers.



BUSINESS PERFORMANCE



FOCUS ON EXCELLENCE

In 2015, we achieved over US\$1 billion in net sales for the first time, despite a challenging end to the year in some sectors. Our focused strategy, continued investment in (R&T) Research and Technology and commitment to providing cost effective products and services to our customers delivered our most successful year to date.

In 2015, we maintained our focus and delivered the hard work necessary to achieve our strategic objectives. This resulted in a record-breaking year and laid a solid foundation for 2016

GROUP SALES

EXCEEDED
US\$1 billion
IN ANNUAL SALES

For the first time
in 2015
Up 5% from
US\$961 million in 2014

+31%
INCREASE IN
NET SALES
OVER THE PAST
FIVE YEARS

2015 – US\$1 billion
2011 – US\$774 million

US\$44 million
RISE IN
GROSS PROFIT

UP
15%

from
US\$302 million
in 2014
to
US\$346 million
in 2015



34.2%
GROSS MARGIN
rise of three percentage
points on 2014

**Fuel
Specialties**



NET SALES
US\$758 million
representing 75%
of annual net sales

GROSS PROFIT
US\$265 million

**Octane
Additives**



NET SALES
US\$195
million
representing 19%
of annual net sales

GROSS PROFIT
US\$52
million

**Performance
Chemicals**

NET SALES
US\$60
million

performance in line
with planned phase
out of this segment

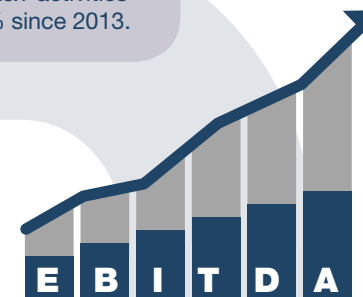


GROUP R&T SPEND

US\$25
million

increased from
US\$22 million in 2014

We believe our proven
technical capabilities
create significant
competitive advantage,
which is why we have
increased our expenditure
to support R&T activities
by over 19% since 2013.



EBITDA
US\$153.3
million

up 9% on 2014
(US\$141 million)

**NET
INCOME**
US\$119.5
million

up 42% on 2014
US\$84 million

**AROMA
CHEMICALS**

Divested in line with our
strategy to focus on
identified target markets

The sale of Aroma Chemicals
enables our Performance
Chemicals business to focus
on the dynamic and profitable
personal care market, where
our planned investment in
new production facilities
will help us keep pace with
customer demand.



**INNOSPEC
CANADA LTD**
established

GOVERNANCE



COMPLIANCE COURSES AND ONLINE CERTIFICATIONS

were completed in 2015 by employees and contractors enrolled in our ethics and compliance training program



COMPLETION RATE

of all employees and contractors requested to undertake compliance courses and online certifications was achieved in 2015. This includes requests sent out to new starters towards the end of 2015



100%

All 262 third parties required to undertake online compliance certifications in 2015 completed the request



COMPLIANCE CULTURE

Innospec is committed to the highest standards of corporate governance and ethics. Compliance is a non-negotiable part of our business.

- Anti-Corruption Policy
- Code of Ethics
- Gifts, Hospitalitys, Charitable Contributions and Sponsorship Policy
- Mergers & Acquisitions, Joint Ventures and Consortia Protocol
- Third Party Compliance Approval User Guide.

5

Of our existing compliance policies were revised as a sign of our continued determination to run Innospec at the highest possible standards



INSIDER TRADING



GLOBAL EXPORT CONTROLS

7



GLOBAL COMPETITION Principles and Practices (Non US)

CODE of ETHICS



THERE ARE SEVEN CORE COMPLIANCE ONLINE TRAINING COURSES WHICH ARE MANDATORY FOR ALL EMPLOYEES AND CERTAIN CONTRACTORS:

FRAUD and BUSINESS INTEGRITY



COMBATING BRIBERY in BUSINESS (Internal and Third Party)



ANTITRUST

Contact with Competitors (US)



WE INTRODUCED SIX NEW AND UPDATED COMPLIANCE COURSES IN 2015

- **Competition Law:** Preventing Anti-Competitive Practice
- **Anti-Money Launder:** Red Flags
- **Use of Company Resources:** Everyone's Responsibility
- **Preventing Bribery and Corruption**
- **Gifts:** A Token of Appreciation
- **Cyber Security:** Managing Passwords



COURSES IN 7 LANGUAGES

Reflecting the global nature of our business and workforce, all compliance courses and certifications are offered in seven different languages; English, French, German, Italian, Russian, Chinese and Brazilian Portuguese



In response to legislative changes and feedback from the business, we introduced two new compliance policies; a **CONFLICT MINERALS POLICY** and an **EXPORT CONTROLS AND SANCTIONS COMPLIANCE POLICY**

The Conflict Minerals Policy confirms our commitment to maintaining a supply chain free from conflict minerals linked to the financing of armed conflict in the Democratic Republic of Congo and adjoining counties. Adopted in May 2015, our new Export Controls and Sanctions Compliance Policy covers:

- Product-based export controls and licensing requirements
- End-use and end-user-based export controls and licensing requirements
- Trade sanctions
- Anti-boycott compliance
- International trade in hazardous chemicals and pesticides
- Record-keeping and reporting requirements.

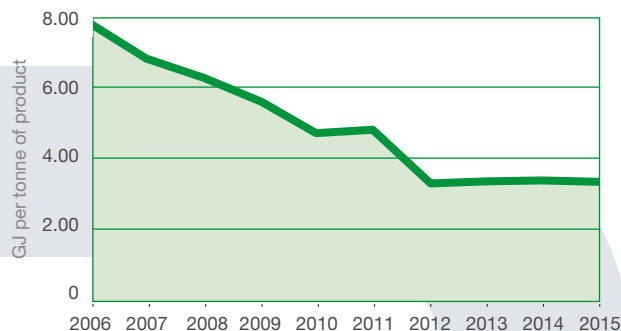


Employees are encouraged to use our confidential whistle-blowing hotline if they become aware of any issues, such as fraudulent behaviour, malpractice or suspected violation of our ethical or professional standards. Details are made available to all employees. In 2015, no ethical or compliance related incidents were reported via the hotline

ENVIRONMENT



ENERGY USE



1%
REDUCTION
63%
REDUCTION
SINCE 2006

At our Herne site in Germany, a 14% reduction in energy use was achieved on the filling and Ferrocene production facilities. This was a result of switching off non-essential equipment such as lighting, ventilation, and heating systems at night when the plant is not in use.

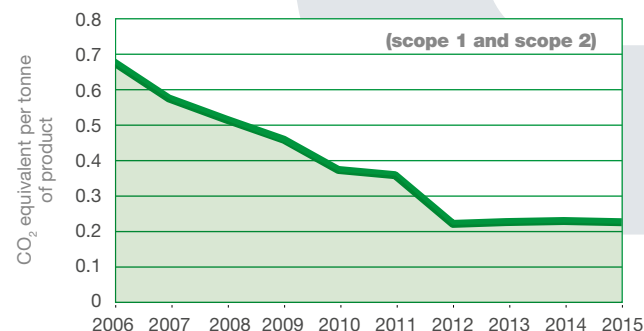


MANAGING OUR ENVIRONMENTAL FOOTPRINT

We are committed to acting responsibly towards the environment. Each year we measure our performance to evaluate the effectiveness of our resource reduction and efficiency activities. We are proud to report that we improved performance measures across all areas during 2015.



GREENHOUSE GAS (GHG) EMISSIONS

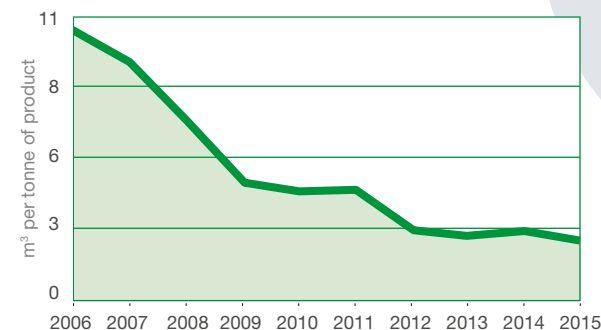


2%
REDUCTION
67%
REDUCTION
SINCE 2006

Increasing the use of recycled water in the manufacturing cooling processes and ongoing repairs to ageing ring water mains enabled our Ellesmere Port site, UK, to record its lowest water use on record, with a 17% year-on-year reduction in water consumption since 2014.



WATER USE



14%
REDUCTION
78%
REDUCTION
SINCE 2006

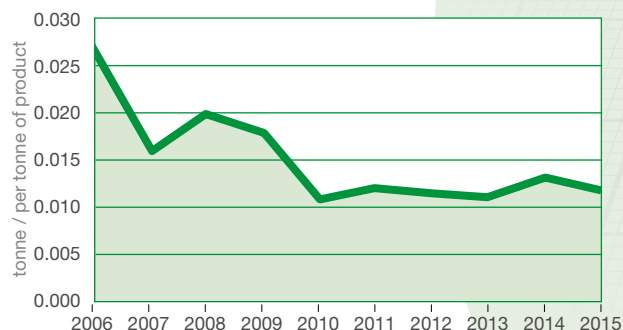


ISO 50001

Our sites in Ellesmere Port, UK, and Herne, Germany, joined our Leuna facility in Germany in achieving ISO 50001 accreditation in 2015



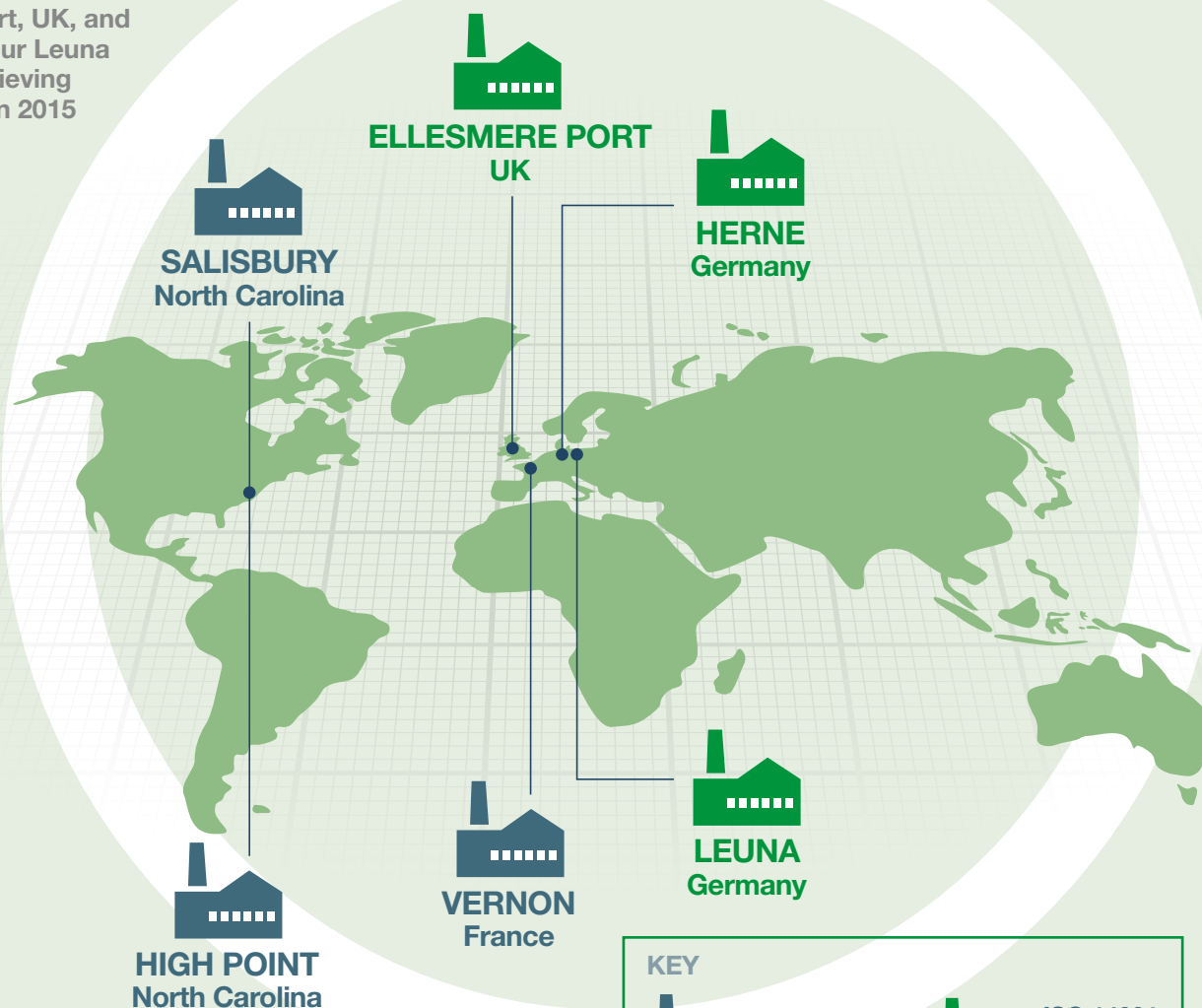
HAZARDOUS WASTE



11%
REDUCTION
56%
REDUCTION
SINCE 2006

In 2015, a new bulk waste storage tank was installed at our site in Leuna, Germany. This has enabled 315 tonnes of organic hazardous waste, previously transported off-site for third party disposal, to be handled at source. The result is a saving of approximately 1,200km in road transportation and its associated environmental impact.

ISO 14001 and ISO 50001



KEY



ISO 14001



ISO 14001
AND
ISO 50001

ISO14001 – Certified Environmental Management System
ISO50001 – Certified Energy Management System

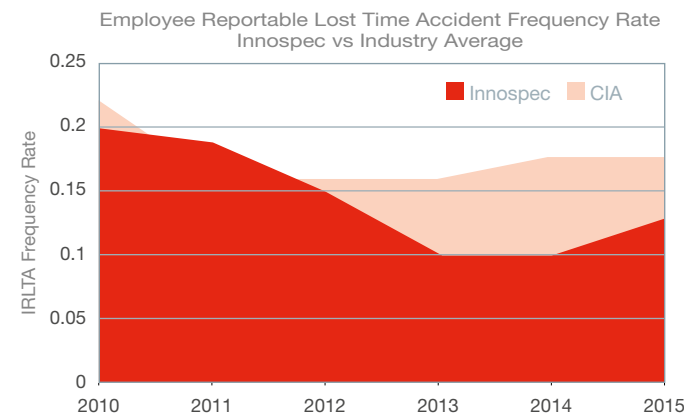
HEALTH AND SAFETY



Our 2015 lost time accident frequency rate (LTAFR) per 100,000 hours (Innospec employees)

*UK Chemical Industries Association (CIA)

LTAFR
0.13
BELOW
the UK
chemical
industry
average of
0.178*



NEAR MISSES REPORTED IN 2015

An increase of 11% on 2014. 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.

5,586

LEADING THE WAY

We set high standards for safety across all our operations which is reflected in our strong culture and performance.

Maintaining our excellent level of health and safety performance is vital to the success of our business, and we are focused on continuous improvements to our health and safety systems and procedures.



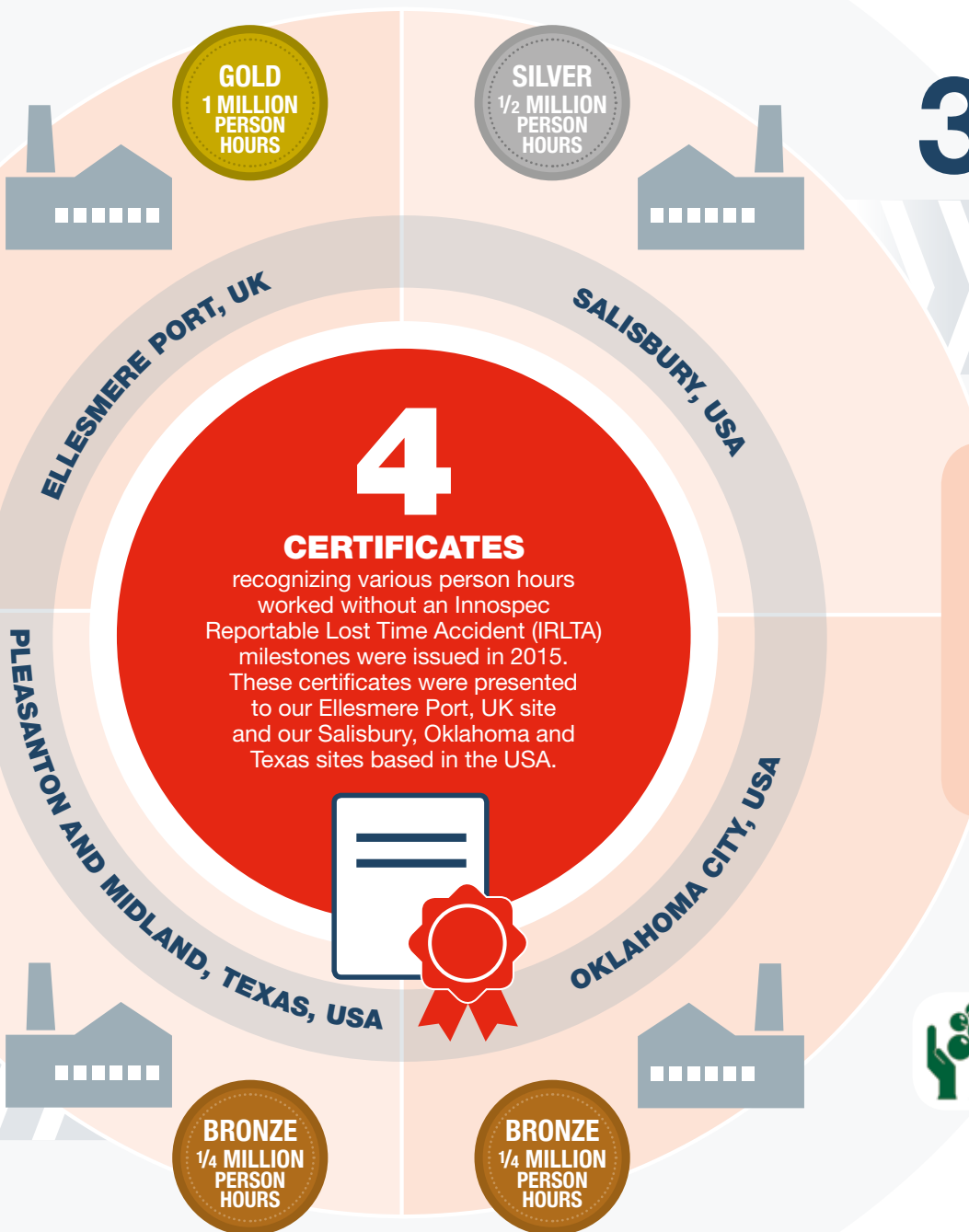
CONSECUTIVE DAYS

without a lost time accident, reached in November 2015 by our site in Herne, Germany

20%
REDUCTION
in loss of
containment
(LOC)

events reported having the potential to develop into a more serious event since 2014





3

BRONZE SAFETY PLAQUE

Our Midland, Pleasanton and High Point sites in the USA were awarded a bronze safety plaque, along with a US\$1000 donation to charity as part of our Corporate Safety Award scheme. This was in recognition of each location having achieved no IRLTAs in 2015

14

CONSECUTIVE YEARS

Our Ellesmere Port, UK, site has earned a Gold Award alongside its fifth President's Award from the Royal Society for the Prevention of Accidents (RoSPA)



We are a long term supporter of Responsible Care®, the chemical industry's global initiative to drive continuous improvement in health, safety and environmental performance. We have been a member of the UK Responsible Care® program since it started 26 years ago and our Innospec Fuel Specialities LLC operations have held their Responsible Care® management system certification since 2007. We are also a signatory to the International Council of Chemical Associations (ICCA) Responsible Care® Global Charter.

COMMUNITY



US\$94,000
TOTAL RAISED
IN 2015

for the Military Heroes Fund
resulting from golf tournaments
held by our Fuel Specialties
and Oilfield Services businesses

US\$415,700
TOTAL RAISED
SINCE 2007

by the Innospec Fuel Specialties
(US\$369,200) and Oilfield Services
(US\$46,500) golf tournaments for
the Military Heroes Fund



MAKING A CONTRIBUTION

The hard work, commitment and dedication of our employees has enabled us to support and have a positive impact on a wide range of charities and local good causes.



US\$147,922

TOTAL WORLDWIDE
CHARITABLE DONATIONS
MADE BY INNOSPEC IN 2015

UP
42%
from
US\$15,299 in 2014
to
US\$21,686
in 2015

Contributions by our sites
in Salisbury and High Point,
North Carolina, USA, to the
United Way campaign

€36,000

AMOUNT DONATED

to the German Association for the Protection of Forests and Woodlands

€277,899

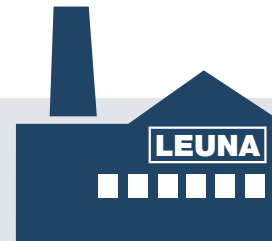
TOTAL AMOUNT DONATED

to the German Association for the Protection of Forests and Woodland since 2008

As well as a €2,500 donation to Kulturhaus Leuna, our Leuna facility in Germany also made contributions to United Domstifter for an exhibition celebrating 1000 years of the Kaiserdom cathedral, Merseburg, the Bjoern Schulz Foundation, a hospice for terminally ill children and their families, and a local steam engine restoration project.

**1,800
RUNNERS**

More than 1,800 runners from the local area took part in 'Sport in the Port', an event co-sponsored by our Ellesmere Port site in the UK



\$5,500

Total charitable donations made by our Leuna site in Germany in 2015.

FINISH



13 of the 16 Innospec employees running in the 2015 'Sports in the Port' event achieved either a personal best or beat their 2014 time.

**CORPORATE
SAFETY PLAQUE**

\$8,000

TOTAL AMOUNT DONATED

to ten charities in 2015 from our Corporate Safety Plaque Program with six charities each awarded \$1,000 and four charities each awarded \$500

OUR PEOPLE

The Innospec team is our biggest asset and the heart of our business. It is our employees' skills, dedication and passion that enable us to succeed.

We understand the diversity of skills and creativity provided by our geographical and cultural mix is an important component of the success of our business. We are an equal opportunities employer that benefits from employing people from a wide range of backgrounds. At the end of 2015 our 1322 employees were based in 20 countries, across five continents, providing manufacturing, technology and sales support to our global customer base. The percentage of females employed by the organization rose to 28% in 2015, as did the percentage of females in a senior management position, which was up at 21%.

RECOGNIZING HIGH PERFORMANCE

To ensure our employees remain enthusiastic about working for Innospec and confident in their ability, we believe it is crucial for people to feel valued and 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.

The Innospec Sharesave program, launched in June 2014, continued into its second year. Under the share offer,

in which all employees 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. Our 2014 program was taken up by 58% of our employees.

EMPLOYEE RETENTION

The opportunities for promotion within the company, alongside career development options and performance-based reward schemes, mean that a large number of our employees stay with us for many years. In 2015, 48% of our employees had been with us for five years or more and, 33% for ten years or more.

1,322
employees
based in
20
countries



LEADING THE NEXT GENERATION

In 2013, we introduced our Leadership program in recognition of the need to develop the leaders of tomorrow, ensuring the sustainable management of the company in future generations. Employees from varying business disciplines and geographical locations take part in a specially devised training scheme to develop their leadership skills. Our next program is scheduled to take place in 2016.

In 2015, to help deliver the future growth we demand across all parts of the business, we moved to a global organization structure for our Fuel Specialities and Performance Chemicals businesses. To facilitate this restructure, a number of senior internal promotions were made in recognition of experience, talent and contributions made to the success of our business to date.

SUPPORTING CAREER DEVELOPMENT

In recognizing the importance of our people, we believe in investing in training and development opportunities, along with the resources and facilities to help our team flourish and achieve its potential. We provide a range of training and career

development initiatives, and work with our employees on a one-to-one basis to identify training options that will help them develop new skills to support their career. In May 2015, Susan Barnhardt, our Administration Assistant based at Salisbury, North Carolina in the US, graduated with a degree in Applied Science, Web Technologies. The degree, part-funded by Innospec, took Susan five years to complete on a part-time basis and has provided her with the additional Information Technology skills and knowledge needed to support her on-going development within Innospec.



Susan Barnhardt – Administration Assistant



In 2015, Hannah Aldridge became our second graduate to be employed under our three year graduate training program, designed to work alongside her Chartered Institute of Management Accountants (CIMA) study syllabus. Launched in 2014, our Ellesmere Port, UK program provides on-site practical experience linked to her theoretical studies.

We also believe in nurturing the next generation of talent, and providing

students and graduates with the chance to experience our business first-hand. We work closely with the University of Delaware in the US, which sees between 15-20 students join us on a part-time basis for up to three years at our Research and Technology facility in Newark, US each year. They are fully trained and supported by our Newark team and given the opportunity to gain practical experience in industry.

CONTINUOUS IMPROVEMENT IN 2015

It has been another significant year for Innospec in 2015, as we continue to drive improvement across our business.

INTRODUCING AX

In November 2015, after two years of design, development, testing and training, we completed the second roll-out of Microsoft Dynamics AX (AX), our new enterprise resource planning (ERP) system. This unifies all process-centred business information originating from our global HR, purchasing, customer care, finance, planning, production and maintenance departments.



Following the successful implementation in the US in 2013 after a similar two-year project, training began in June 2015 at seven locations across Europe and Asia Pacific as part of the first phase of deploying the modified system. During June and July 2015, 8,306 person hours were dedicated, with 478 users being trained by 44 trainers across 469 separate sessions.

The new AX system went live across the majority of Innospec's Europe, Middle East and Africa, and Asia Pacific operations on 1 November 2015, following a project that saw more than 3,100 potential issues proactively identified and addressed. The AX roll-out represented one of the biggest changes to the way we operate, and could not have been possible without the commitment and dedication of all our people.

Russ Wintle, Head of Global Business Technology, said: "The sheer dedication and determination of people to deliver this new system implementation, while keeping the business running, has been remarkable. The whole project has been a tremendous achievement."

KNOWLEDGE MANAGEMENT PROJECT

Our company is made up of our people and the processes, procedures and information systems that drive our activities. As a business, we recognize it is essential to ensure the protection of critical information and develop a culture that promotes capturing, sharing and preserving organizational knowledge.

Our extensive and comprehensive Knowledge Management initiative made good progress in 2015, which involved;



- Identifying our intellectual assets and assigning a local internal stakeholder for both the technical and operational functions within each business
- Developing appropriate knowledge structures
- Creating teams of custodians to determine the appropriate user access requirements.

In addition, to support the program, we have also expanded our data handling capabilities to facilitate the transfer of

existing data to the new managed filing architecture in 2016. This has enabled the start of the movement of our intellectual assets to a central location.

GLOBAL PURCHASING AND SUPPLY CHAIN COMMITTEE

In January 2015, our new Global Purchasing and Supply Chain Committee was established as a result of our continuous growth and the associated increase in raw material and service requirements. The committee brings

together our key purchasing and supply chain personnel from across the organization to benefit from the global purchases of raw materials and services. Along with improving our profitability, this team will also co-ordinate communications with suppliers on technical innovation and strategic partnerships to enhance the quality and reliability of our purchases and eliminate waste from the supply chain.

EXTERNAL RECOGNITION

We take great pride in the performance, quality and safety of all our products, implementing stringent manufacturing controls to enhance production consistency and a focus on product stewardship.

EFFCI Cosmetic GMP certification

This globally recognized certificate assures customers of the best quality cosmetic ingredient products and processes, and highlights the excellence of our performance.

We were proud our three Innospec Active Chemicals sites at High Point, Salisbury and Chatsworth in the USA and our Ellesmere Port Site in the UK were all awarded the European Federation for Cosmetic Ingredients (EFFCI) Cosmetic GMP certification.



IATA Known Consignor Status

Following a Department for Transport audit, our Ellesmere Port, UK, site was awarded an extension to our International Air Transport Association (IATA) Known Consignor Status for airfreight. The audit specifically reviewed our stringent security

procedures and systems along with our employment screening process. The new status not only enhances the standard security measures at UK airports but also improves the efficiency of transportation of customer products and samples sent by air freight.

Lloyds Register product verification

Octamar™ Winter, our new marine distillate fuel cold flow improver, achieved Lloyds Register product verification in October 2015. Octamar™ Winter enables vessels operating in colder climates to protect against fuel crystallization and thereby improve overall operability.



A CLOSER LOOK AT SUSTAINABILITY AT INNOSPEC IN 2015

During 2015, we made good progress on the focus areas introduced in our 2014 sustainable development report. These activities have continued the implementation of our sustainability strategy.

89

CDP
disclosure score,
well above the
industry group
average

CLIMATE CHANGE

Supporting global efforts

In 2015, we published our position statement on climate change to support the wider contributions being made. We have committed to support global efforts by:

- Continuing to have environmental consideration as a priority in our sustainability strategy, with a specific objective to further reduce energy consumption
- The ongoing development of innovative products that reduce emissions when used by our customers
- Working with our suppliers and customers to source sustainable, renewable raw materials
- Improving the resilience of our facilities to possible climate change impacts to protect our employees and assets, as well as enhance business continuity.

Our full climate change position statement is available on our website at www.innospecinc.com.

Openness and transparency

In addition to clearly stating our position on climate change, we also recognize the importance of being open and transparent through the monitoring and reporting of

our emissions. For the second year, we have participated in CDP (formally the Carbon Disclosure Project) Supply Chain Program. CDP is the largest collection globally of self-reported climate change, water and forest-risk data. Through CDP data investors are better able to mitigate risk and make investment decisions that drive action towards a more sustainable world.



Our 2015 CDP score is made up of two elements: disclosure and performance. The disclosure score (0-100) measures the level of transparency a company has shared through its response, and the performance band (A to E) measures how effectively a company is addressing climate risk. With a disclosure score of 89, we are pleased our score is well above both the industry group average (63) and the CDP Program average (60). We were awarded an overall performance score of D, which is in line with the average for our industry group. Encouragingly, the governance and strategic approach element of the performance score received an impressive score of B. For further information on the CDP, visit www.cdp.net.

Offsetting our emissions

For the second consecutive year, our Vernon site in France has offset its carbon dioxide emissions based on its 2015 energy consumption. The site calculated its estimated emissions based on its annual energy consumption, which then allowed it to calculate the number of trees that needed to be planted to offset those emissions. By partnering with local organization 'Forest and Life', the Vernon site was able to sponsor the planting of 132 trees through the organization's Togo program. The program not only helps to restore areas affected by deforestation, it also supports the local population through the provision of access to water, nutritional food programs and the creation of local jobs.

The sites 2014 emissions were also offset through participation in the Forest and Life program called '1 tree for me + 2 trees for you = 3 trees for the planet' which tripled the number of trees planted. In addition to offsetting emissions, this program also helped to restore the storm ravaged forest of Landes de Gascogne (southwest France) and supported an education program for local school children.

Managing our energy

Managing the energy consumption of our sites is an important way for us to reduce overall carbon emissions from our

activities and increase the efficiency of our operations. In 2015 both our Ellesmere Port site in the UK and our Herne site in Germany were awarded the ISO 50001 Certificate for Energy Management. The process has helped to enable the Herne site to achieve a three year averaged energy reduction of 14% in their filling and Ferrocene plant, exceeding their original 2015 target of 10%. These sites have followed in the footsteps of our Leuna site in Germany, which achieved ISO 50001 certification in 2012.

RESPONSIBLE SOURCING OF PALM OIL

RSPO MB Supply Chain certified

At Innospec, we use palm oil (PO) and palm kernel oil (PKO) in a number of our personal care products, such as our Iselux® and Pureact ranges. We are committed to the responsible sourcing of these palm-based raw materials and as part of this commitment, in 2013 we became a member of the Roundtable on Sustainable Palm Oil (RSPO).

Innospec committed to gaining RSPO Mass Balance (MB) Supply Chain certification for all our manufacturing facilities that handle PO or PKO derivatives by the end of 2015. In 2014 we successfully gained certification at our manufacturing facilities located at Salisbury and High Point in the USA and Ellesmere Port in the UK. In July 2015, we achieved certification at our Herne manufacturing site in Germany, meeting our RSPO certification commitment well

ahead of time. All applicable Innospec Manufacturing facilities are now RSPO MB Supply Chain certified.



Engagement and education

We believe the engagement and education of our stakeholders, including our employees is an important part of our commitment to promote the use of sustainable palm oil. We ensure our stakeholders are aware of our RSPO membership and progress by communicating through our promotional literature, one-to-one customer visits, trade events and on our corporate website.

In 2015, we partnered with Chester Zoo to support its 'Act for Wildlife' program. The partnership with our Ellesmere Port

site in the UK involved a 'Go Orange' event that raised money to support the zoo's conservation program and an employee awareness raising campaign for our sustainable palm oil program.

In addition to raising employee awareness, we are also engaging and educating our suppliers and customers on the use of sustainable palm oil. We worked with our suppliers to identify those that can offer certified palm oil.

In 2016, we will continue to work with existing suppliers that are yet to be certified and encourage them to gain certification, enabling us to offer and promote RSPO MB certified products to our customers. Visit www.rsपो.org for further information.

SUPPORTING AND RESTORING BIODIVERSITY

Bee conservation

Bees are vital pollinators that play an essential role in ecosystems and food production; a third of all the food we eat is dependent on bee pollination. Since the late 1990s, bee numbers have been declining across the globe, with around one third of hives being lost since 2006.

At our Vernon site in France, we have sponsored a number of beehives to help preserve biodiversity and encourage a turnaround in the bee population. Thanks to our busy, thriving bees, 200 million flowers will be visited and pollinated in the Indres region of France.

Restoring forests and protecting birds

In addition to the carbon offsetting work carried out by our Vernon site, our Herne site has also been active in restoring local forests. In 2014, Storm Ela caused €650million of damage to the forests in West Germany. A large number of trees were uprooted or damaged. In 2015, we have worked to help restore the local environment through the planting of replacement trees.

In June 2015, at our Ellesmere Port site in the UK, a project was undertaken to carry out routine maintenance work on our wharf which is adjacent to the Manchester Ship Canal. During the works a nest of swallows was found under the timber structure which posed an interesting biodiversity challenge. To ensure the maintenance activities did not adversely affect the wildlife, the works were delayed until the swallow chicks had flown the nest.

WORKING WITH OUR INDUSTRY PEERS

Sustainability is one of the three main objectives of the American Cleaning Institute (ACI), of which Innospec is a member. Their 2015 report showcases the US cleaning products industry's first ever materiality assessment and its progress towards sustainability. We contributed to the report by featuring as one of the individual companies profiled, demonstrating our sustainability practices and approach. Further information is available on the ACI website at www.cleaninginstitute.org.

STRONG SALES FOR SUSTAINABLE GROWTH

Financial stability and growth provide the foundations on which to deliver a successful business that continues to contribute towards a more sustainable future. A combination of clear focus and determination across our global operations means we can reflect on 2015 as a year of success.

Our growth strategy has been developed over a number of years, and in 2015 it proved itself to be strong and robust in the face of challenging environments across a number of sectors. Sales exceeded the billion-dollar mark for the first time, rising 5% from 2014's figure of US\$961 million to close the year at US\$1.012 billion. Our overall gross profit increased 15% from US\$302 million to US\$346 million.

An increase of EBITDA of 9% to US\$153 million, was a healthy performance indicator, alongside a 42% increase in net income to US\$120 million. This was achieved despite a warm start to winter, which impacted sales worldwide for Fuel Specialties. Falling oil and gas prices affected our Oilfield Services business. These record figures, and the ability to reward our shareholders as a result, underlines the strength of our business.

Our **Fuel Specialties business** is one of the largest specialist providers of fuel additives in the world, with customers ranging from national and multinational oil companies to oil and gas exploration, and production companies and fuel retailers. We develop, manufacture, blend and supply a wide range of innovative specialty chemical products that are used as additives in a wide range of fuels.

These products help to improve fuel efficiency, boost engine performance, lower harmful emissions and reduce environmental impact.

In 2015, our Fuel Specialties business also included activities in the Oilfield Services sector. This emphasized the development and marketing of products to prevent loss of mud in drilling operations, chemical solutions for fracturing and stimulation operations, as well as products for oil and gas production, which aid flow assurance and asset integrity.

2015 was another successful year for our Fuel Specialties business, with a 21% rise in gross profit to US\$265 million and a final net sales value of US\$758 million.

Our **Performance Chemicals business** provides effective technology-based solutions for our customers in the personal care markets. Our customers in this sector include large multinational companies, manufacturers of personal care and household products and specialty chemical manufacturers, operating in niche industries. In 2015, Performance Chemicals delivered a US\$195 million net sales value and a gross profit of US\$52 million. Increased consumer demand for better performing

and more naturally derived products, used in shampoos, cleansers and sunscreen ranges, continues to drive our expansion in this market.

As a responsible provider of tetraethyl lead (TEL), used in aviation and motor gasoline, we remain 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. Our **Octane Additives business** delivered final net sales of US\$60 million, in line with the planned phase out of this segment. Sales of TEL represent less than 6% of our company revenue. We remain committed to supporting the smooth transition to unleaded gasoline.

15%
rise in group
gross profit to
US\$346
million

Sales exceeded the
US\$1 billion mark for the
first time, closing the year at
US\$1.012 billion

INVESTING IN OUR FUTURE

As a global specialty chemicals company, our focus is to bring new innovative technologies to the market, alongside fast and responsive customer service. To deliver these market-leading solutions, we have increased our group research and technology spend by 15% in 2015, rising from US\$22 million in 2014 to US\$25 million.

We will continue to invest in R&D while maintaining our commitment to 'best in class' customer service. This enables us to provide our customers with cost-effective

products and services that stand out from others in the market.

Our growth strategy is to focus on our core businesses of **Fuel Specialties**, **Personal Care** and **Oilfield Services**.

A successful refinancing agreement secured in November 2015 has provided the fund base needed for both future organic growth and acquisitions in these areas. In July 2015 we sold Aroma Chemicals, enabling us to move forward with this strategy.



Expanding our global reach, we established a new Canadian entity, Innospec Canada Limited. This gives us the strong local presence necessary to improve our service to customers in Canada and allows us to establish ourselves in the region's strategically important fuel additives and oilfield services sectors.

Overall, our 2015 results demonstrate the success of our strategy, and reflect well on our business and the efforts of our employees. Looking ahead, our strategic vision will help us to further develop our dynamic and evolving business.

Focus our growth on the core businesses of **Fuel Specialties**, **Personal Care** and **Oilfield Services**



GOVERNANCE

Compliance is a non-negotiable core element of our business. Our systems and procedures ensure we are an ethical company that combines regulatory compliance with complete integrity across our operations. We continue to invest in our compliance programs, ensuring our people understand their responsibilities and adhere to the highest ethical and professional standards at all times.

LEADERSHIP IN GOVERNANCE

At Innospec, we have established a clear and effective governance structure to ensure we uphold a high standard of corporate governance and business integrity across all our business activities. We have built an extensive team of highly experienced legal experts to advise on

issues, such as anti-corruption measures. Our external advisors support the in-house legal and compliance teams with specific advice and enhanced due diligence matters. These activities support the long-term sustainability of our business.

POLICIES AND PROCEDURES

Our enhanced compliance program has been in operation since 2008. Compliance policies, procedures and controls are monitored by the Compliance Steering Group, which meets monthly. The group reports to the Nominating and Corporate Governance Committee. The steering group comprises of our Chief Compliance Officer, Global Compliance Counsel (Chair), Head of Business Assurance, senior members of Innospec and other senior company legal advisors.

We regularly review our policies and procedures, updating existing documents or creating new policies when required. This improves the efficiency of our compliance program and ensures it continues to support our corporate governance needs.

New compliance policies were issued in 2015 in relation to Conflict Minerals and Export Control and Sanctions. In addition, policies were revised in five other key areas: anti-corruption, code of ethics, gifts, mergers and acquisitions, and our third-party compliance approval user guide.

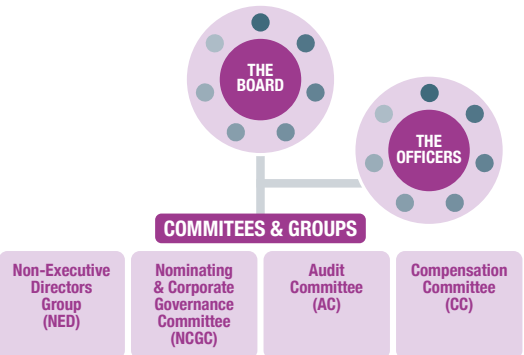
Our Governance Committees and Groups

Nominating & Corporate Governance Committee (NCGC): The NCGC's key purpose is to recommend to the Board: qualified individuals to serve as Board members, re-nomination of incumbent Directors, governance guidelines, committee appointments, provide a leadership role in corporate governance and periodically review the Board's performance.

Non-Executive Directors Group (NED): This group acts as a strategic agenda-setting body prior to the main Board meeting. Its role is to establish the boundaries within which to challenge decision making and senior roles in the business. Additionally, it assesses the need for expertise or skills not visibly available to the business.

Audit Committee (AC): The AC provides an oversight of the Board's responsibilities relating primarily to the integrity of the company accounting and audit practices, policies, personnel, systems, reporting and disclosures.

Compensation Committee (CC): The CC supports the Board's responsibility in achievement of the long-term strategy and shareholders' interests relating to executive compensation and incentive programs for all Executive Officers, Directors and other employees of the company. It also advises on policy and remuneration for Non-Executive Directors.



CONTINUOUS IMPROVEMENT

New challenges and the changing needs of the business mean we continuously strive to maintain the robust approach the Innospec program demands. We aim to optimize the benefits provided by improved responsive and agile process and practice.

During 2015, we explored existing market offerings to identify a suitable due diligence platform through which to automate and streamline our compliance program. The existing due diligence process was also refocused with questionnaires and reporting forms being made more user-friendly, understandable and accessible. These improvements received Board approval for implementation in 2016.

TRAINING

Embedding compliance in all aspects of our business requires effective training to ensure all our employees and third parties understand and adhere to our approach. The compliance training program is operated in conjunction with SAI Global. We supplement our seven core online training and testing modules each year with a number of additional courses, covering a range of compliance issues. We offer these courses in seven languages to reflect the global nature of our business and enable our employees and third parties to have a better understanding of the content. Details of these courses are provided on page 12.

Over 6,100 ethics and compliance training and testing courses, along with 1,992 online certifications were completed by employees and contractors during 2015. Of these, 97% were registered as complete by the end of 2015. In total, there are now 1,372 employees and contractors enrolled on our training program.

Training remains a key part of our compliance program, with both face-to-face and online presentations proving vital to ensuring all Innospec employees understand their responsibilities. We have already achieved a great deal in this area, and look to continue to meet the needs of a growing business. We are reviewing prospects for potential remote training for those in the field, through new technologies and enhanced learning programs. New capabilities will enable us to continue to deliver a world-class training program, which remains relevant to each individual.

THIRD PARTIES

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

All new potential customers and suppliers are screened using compliance software which automatically checks if they appear

on any global debarment, sanctions or watch lists. Where matches or possible non-conformances are identified, they are sent to the Legal and Compliance team for further review.

Within our enhanced due diligence program, we conduct repeat reviews on a risk-based approach determined by a number of factors. Those assessed as higher risk will be reviewed every two years, while those of a medium or low risk assessment will be assessed every three years. The process involves face-to-face interviews and questionnaires and, where necessary, local source enquiries will be made to check documents or business reputation statements. If a third party fails or refuses to participate in this due diligence process, we immediately terminate our dealings with it. In 2015, there was no requirement to take this action with any third party following failure to meet our compliance standards.

In 2015, our third parties completed 316 compliance training courses and certifications. Only one third party account was terminated due to failure to complete compulsory compliance modules and certification.

CONFLICT MINERALS

The introduction of our conflict materials policy came in response to recent Securities and Exchange Commission (SEC) rules and reporting requirements. It confirms Innospec's commitment to maintaining a supply chain free from

minerals viewed as financing armed conflict in the Democratic Republic of Congo and adjoining countries. The policy covers five key areas, including a detailed summary of the procedures we will follow to ensure a conflict-free supply chain. We also work to provide specialized training to those employees most affected by the policy. Our 2015 disclosure statement filed with the SEC in 2016 is published on our website www.innospecinc.com.

CYBER SECURITY

All companies are facing increasing pressure from cyber criminals and the impact of their illegal activities. In 2015, we reminded our employees of this threat and the need to remain vigilant. Our IT department increased its activity around cyber security training, with compulsory completion of several eLearning courses, putting the emphasis on threat protection and password security, as well as offering guidance on social media facilities. To support this training, we also launched a new social media policy, which was approved in November by the NCGC.

Our overarching aim is to continue our commitment to conducting business in an ethical, responsible and conscientious way, embedding this in our operations as a fundamental part of our corporate culture.

SAFEGUARDING OUR ENVIRONMENT

Acting responsibly towards the environment is one of the guiding principles of our business. We accomplish this by managing our resources wisely, improving efficiency and reducing waste wherever possible. As part of this strategy, we measure and report on the impact of our activities in four key areas; Greenhouse Gas (GHG) emissions, energy use, waste use and hazardous waste produced. We actively seek out opportunities to improve our performance by continuously reviewing new technologies and processes relevant to our business activity.

DATA ASSURANCE

In order to strengthen and further develop our processes, we have reviewed and improved our approach to the reporting of sustainability information and data. This has included the successful assurance of this year's sustainability report to the globally recognized AA1000 standard. This strengthens the credibility of our social, economic and environmental reporting.

In addition, in line with standard practice as defined in the GHG reporting protocol, we have recalculated our 2006 baseline resource data to reflect recent acquisitions and divestments.

In previous years, we have reported resource data from Innospec-owned facilities, during periods when they were under our ownership. In order to adjust the 2006 baseline to reflect the current ownership status, we have removed the Aroma Chemicals data following its sale in July 2015.

Assured to
AA1000
globally
recognized
standard

For our acquisitions post-2006, we have added resource data back to the reporting baseline. Where actual data has not been available, we have averaged the available data and applied it to the previous reporting years. In the case of Independence Oilfield Chemicals (IOC), data has been included starting from 2012, when the company was created.

GHG EMISSIONS

The potential effects of climate change are a key challenge for business. Energy reduction remains a focus area of our sustainability strategy and enables us to support the wider contributions being made to mitigate climate change.

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' (Scope 1, 2 and 3) are defined for accounting and reporting purposes.

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 the electricity is generated.

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

The UK Department for Environment and Rural Affairs (Defra) recommends that companies account for and report on scopes 1 and 2 as a minimum, since the measures are directly affected by the actions of individual organizations. Our scope 1 and scope 2 emissions per tonne of product produced have decreased by 2% since 2014 and 67% since 2006.

ENERGY EFFICIENCY

Since 2006, we have introduced a number of initiatives to reduce our energy use per tonne of product produced. These activities across our manufacturing facilities continue to generate positive results with a 1% reduction between 2014 and 2015 and a 63% reduction since 2006.

By strengthening our energy efficiency and reduction programs, our sites in Ellesmere Port, UK, and Herne, Germany, achieved the ISO50001 Energy Management System accreditation in 2015. They join our Leuna site in Germany, which achieved the accreditation in 2012.

We implemented a number of initiatives in 2015 to continue our energy reduction efforts. Significant heating oil and electricity savings were achieved at our Herne site in Germany in the filling and Ferrocene production facilities. This was a result of switching off non-essential equipment such as lighting, ventilation, and heating systems at night when the plant is not in use. These actions resulted in a 14% reduction in energy use at this facility, exceeding its target of a 10% reduction.

In 2015, our Ellesmere Port site in the UK commissioned two new air compressors to replace an old, inefficient single unit, providing an annual saving of 746 MW/h. In addition, as part of its ongoing decommissioning program to create space for future development opportunities,

the site electrically isolated a number of transformers feeding a redundant production facility. In future, these isolations are expected to provide a total annual power saving of 438 MW/h.

WATER USE

Water management is a material issue for a number of our stakeholders. Although our production facilities that use water in their processes are not located in water constraint areas, we recognize the importance of using water responsibly and reducing wastage.

Improved optimization of the cooling water system at our site in Leuna, Germany, was achieved by the reuse of condensate from the facility, instead of fresh water. This reduced fresh water use by 50%, resulting in a saving of approximately 20,000m³ per year.

At our Ellesmere Port site in the UK, we had the lowest ever water use recorded, with a 17% year-on-year reduction in water consumption since 2014. This was achieved by increasing the use of recycled water in manufacturing cooling processes, the removal of a cooling tower associated with the air compressor upgrade project, and through the on-going replacement of ageing underground water mains.

Our site in Vernon, France, managed to increase the amount of water recycled on site to 5.1% through the recovery

and reuse of boiler condensate, reducing the amount of fresh water used in its production processes.

Overall, we reduced our global water consumption per tonne of product produced by 15% in 2015 and 78% since 2006.



HAZARDOUS WASTE

Since 2006, we have achieved a 56% decrease in the amount of hazardous waste per tonne of product produced, with an 11% year-on-year reduction since 2014.

In 2015, a new bulk waste storage tank was installed at our site in Leuna, Germany. This has enabled 315 tonnes of organic hazardous waste, previously transported off-site for third party disposal, to be handled at source, saving approximately 1,200km in road transportation and its associated environmental impact.

Our Vernon site in France was able to achieve an 85% reduction in the waste water generated by its blending operations. This was achieved by running longer product campaigns and reducing both the frequency and the amount of water used in the cleaning process. The site was also able to improve the efficiency of the iron soap process through improvements in the final wash stage. This decreased the amount of hazardous waste residues generated per tonne of product produced by 12%.

HEALTH AND SAFETY

ENHANCING OUR SAFETY

Our commitment to excellent health and safety performance levels remains central to our sustained growth and development. Throughout Innospec, we have established a long-standing, strong safety culture. We set high standards, and constantly review our health and safety systems and procedures to ensure they are sufficiently robust to effectively manage the evolving health and safety risks of our activities.

TRAINING AND SUPPORT

Training plays an essential role in maintaining our high health and safety standards. We invest in training to ensure all our employees are equipped with the skills and knowledge they need to carry out their roles safely and effectively.

Our continued emphasis on behavioural safety through the inclusion of a corporate objective for 2015, required sites to maintain an ongoing behavioral safety program focussing 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

In 2015, our sites in Vernon, France, and Leuna, Germany, introduced new formats for their behavioral safety courses, with the aim of improving engagement with employees. In addition to the existing



behavioral safety module, our Ellesmere Port site in the UK added eleven new courses to its online safety, health and environmental (SHE) training system; Enterprise Safety Media Online. These included; manual handling, change control, fire safety, spill prevention and control and stress management for managers.

Our Ellesmere Port, UK, site has been an approved National Vocational Qualification (NVQ) center since 1997, providing valuable training and competence assessment over the years for employees and contractors. In 2015, our center co-ordinator and internal verifier, Dave Clarke, developed a new confined space qualification, the first of its type in the UK. The qualification, which can be used by all NVQ centers, provides personnel working in confined spaces with comprehensive understanding of the hazards and risks associated with the work and the control measures necessary to ensure their safety.

Having trained and competent personnel available in the event of accident or incident is a critical part of our emergency response management systems. At our Herne site in Germany, we provided first aid refresher training to eight employees and trained an additional seven employees as first aiders, to ensure the availability of adequate resources if called upon.

RECOGNITION AND ENCOURAGEMENT

We believe that recognizing and rewarding the good safety performance of our people is key to nurturing a culture of 'Safety Comes First'.

In 2015, four of our manufacturing facilities were recognized under our long standing Corporate Safety Certificate program. This program recognizes a number of key milestones of person hours worked without an Innospec Reportable Lost Time Accident (IRLTA). Our Ellesmere Port site, in the UK, reached 1 million person hours worked without an IRLTA and was awarded a gold certificate in recognition. Our site in Salisbury, USA, received a silver award for reaching 500,000 person hours worked without an IRLTA. In addition, our Oklahoma City, Pleasanton and Midland US-based sites and operations were awarded bronze certificates after achieving 250,000 person hours worked without an IRLTA.

As part of our Corporate Safety Award program, our US-Based facilities at Pleasanton, Midland and High Point, were each awarded a bronze safety plaque, along with a US\$1000 donation to charity. The program was introduced in recognition of some of our smaller sites and operations having to wait a large number of years to obtain a Corporate Safety Certificate. Seven of our other sites



successfully completed a second year without an IRLTA, making them eligible for the Silver Award and a US\$3,000 charity donation, subject to no IRLTA by the end of 2016.

In the USA, our Oklahoma City site earned significant praise after being visited by twelve members of the petroleum and energy industry group, Red Earth Desk

and Derrick Club (REDD). REDD is an organization whose aim is to enhance and promote the positive contributions made by the petroleum, energy and affiliated industries to the global community. Its report reflected the excellent work carried out by the Oklahoma City team and its high health and safety commitment levels.

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 that is shared throughout the organization. Each year, we aim to achieve a zero IRLTA frequency rate. As a minimum acceptable standard, we intend to ensure we continue to perform better than the industry average for the UK Chemical sector.

In June 2015, an IRLTA occurred at Leuna, Germany, site. An operator received a heat burn to the side of his face after being splashed while moving a drum of hot waste wax. Although the operator was wearing the required protective equipment, material splashed under the edge of the full face visor. Following this incident, operators only handle the wax once it has cooled and solidified, removing the potential for contact.

Our Oklahoma City operations, USA, reported two IRLTAs in 2015. The first occurred in March, when a driver twisted his knee while stepping down from a truck after securing the load. In response to this accident, improvements have been made to the loading procedure and all drivers have been trained regarding its contents.

In September, a second IRLTA was reported involving a yard operator, who slipped and fell from his truck fracturing his leg. The worker was not wearing the required safety footwear. To reduce the risk of reoccurrence of a similar event, all operational employees were retrained in the required personal protective equipment (PPE) and routine checks have been implemented to review adherence.

HEALTH AND WELLBEING

The health and wellbeing of our employees is important to ensure we have a sustainable workforce today, and in the future. In 2015, we set a specific corporate health objective to develop our existing health and welfare programs. Wellness programs which aim to motivate employees to live more healthily, have been in place at our Leuna site in Germany and our North Carolina sites in the USA, for six and three years respectively. Our North Carolina sites in the USA continued their 'walk at work' initiative, as well as the provision of advice on healthy eating.

At our Leuna facility, Germany, employees participated in the corporate triathlon for the ninth consecutive year, conducted a survey on stress in the workplace and provided an annual 'health day', which offered a cardio scan and training on



relaxation to employees. The site also facilitated a 25km bicycle tour around Lake Geiseltalsee in Saxony-Anhalt, Germany, to encourage employees to exercise more.

COMMITMENT TO PROCESS SAFETY

Process safety plays a central role in our development as a sustainable business. We have invested in a number of initiatives

to ensure we operate at the highest standards at all times. This includes three core aspects that enable us to make sure any concerns regarding process safety are swiftly identified and raised with senior management.

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 our processes. These standards define the minimum requirements for all Innospec manufacturing facilities. Compliance with these standards is monitored by our Corporate SHE Team and discussed at executive level during the quarterly SHE review.



Process safety performance indicators

Our process safety performance indicators (PSPIs) are leading indicators which monitor all programs and activities targeted at reducing process safety incidents. They are used at site level to monitor the completion of actions from improvement programs and identify any areas requiring further support. The executive team reviews all sites' PSPIs at its 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 the Executive Team's commitment to the prevention of major accident hazards at local level. As part of this program, Executive Team members have been trained on critical aspects of process safety. In 2015, seven of our manufacturing facilities received a process safety leadership visit. These 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 needing additional support.

Process safety standards

Risk assessment:

Identifying hazards and necessary critical control measures

Safe operation:

Ensuring 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:

Identifying the root cause 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 occur

Competency:

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

WORKING WITH OUR COMMUNITIES

Supporting and developing long-standing relationships with the communities that are local to our operations, is a fundamental element of our sustainability strategy. Taking a proactive approach which encompasses both local charities and good causes, helps us further develop our reputation as a company that makes a positive difference to the communities in which we operate. In 2015, we donated almost US\$148,000 to charities and activities in support of our local communities.

2014 saw the introduction of our Corporate Safety Plaque Award, which acknowledges the Innospec sites and operations that have reached a specified calendar milestone without an Innospec Reportable Lost Time Accident (IRLTA). Each site is presented with a plaque and donation to give to a local charity or cause of its choice. In 2015, each of the eight sites meeting the award criteria for 2014 received US\$1,000 to give to good causes as selected by employees. These charities were located in the USA, France, Germany and the UK, and included the Oklahoma City Infant Crisis Center in the USA, and the UK's national Children in Need campaign.

Each site is presented with a plaque and a US\$1,000 donation to give to a local charity or cause of its choice

CHARITABLE ACTIVITIES

During 2015, we were proud to help raise US\$94,000 for the PenFed Foundation. The charity provides financial assistance to wounded members of the armed services and their families, ensuring they

have a secure and stable future. In August 2015, almost 200 customers, suppliers and partners attended our annual Fuel Specialties golf fundraising event at Lone Tree, Colorado, USA, raising US\$69,000. Our Oilfield Services business also staged a similar event later in the year and raised US\$25,000 for the charity.

Employees at our Salisbury and High Point sites, North Carolina, USA, continued their support for United Way, a non-profit organization offering support to 50 local community agencies across the areas of education, income and health. In 2015, a total of US\$21,696 was donated to United Way, up 42% on 2014. The total raised since 2012 is US\$52,096, with a significant proportion of the overall donations being made up by pledges from our employees. In addition to sponsoring the Innospec Sunset 5k Run, nine of our employees based at our Salisbury and High Point sites took part in the event, helping to raise vital funds for the Rowan County United Way campaign.

In 2015, our efforts for the charity resulted in our High Point site receiving both the United Way of Greater High Point Chairman's Award for Campaign Excellence and a Silver Employee Campaign Award.

ENGAGING EDUCATION

Communicating with and educating our local community members on our activities helps us outwardly demonstrate our commitment to being a responsible and reputable business

In the UK, Innospec employees delivered a science demonstration to Endeavour, a charity based in Ellesmere Port, that provides a social hub for the community's older generation. Many of those attending the event had worked at Innospec in the past, or had relatives who had worked for us, and were interested to learn how the company has grown and developed over the years.

Our Performance Chemicals Technical group, based at our Ellesmere Port site, held an Innospec science workshop for pupils aged 13 and 14 attending the local Helsby High School in Cheshire. Hosted by the school, the students embraced the opportunity to speak with Innospec chemists and create their own color and fragrance for a shampoo. Promoting science and technology to young people in local schools encourages pupils to feel inspired

Drawing competition winning entry – Nicole from Herne, Germany



and motivated towards a future career in these subject areas, helping to maintain a sustainable workforce for the future.

LOCAL COMMUNITY ACTIVITIES

Our Herne facility in Germany raised almost €36,000 for the German Association for the Protection of Forests and Woodlands, by making a contribution to the organization for every liter of Ecotherm® Futur 2 sold. In addition, helping to engage local children in the work of the association, Herne sponsored the Association's 2015 'Fairy Tale Forest' drawing competition, with 10 year old Nicole picking up first prize. The site also provided further support to the association by helping to fund the replanting of a number of trees following a major storm in the local area.

For the third year running, our facility in Ellesmere Port, UK, co-sponsored 'Sport in the Port', with sixteen of our employees joining over 1,800 other runners in 10km, 5km and one mile races. Thirteen of our employees recorded either a personal best or beat their finishing time from 2014.

Elsewhere in Europe, our site in Leuna, Germany, made a number of donations during 2015, including €2,500 to help

preserve the Kulturhaus Leuna, a historical congress and meeting center located in the town of Leuna. It also donated €2,000 to the Bjoern Schulz Foundation, a hospice for terminally ill children and their families.

In 2015, our site in Vernon, France, continued its support of Le Groupement Interprofessionnel de la Région de Vernon (GIRV), an industrial group composed of more than 100 industries in the area, whose actions impact the local economy. One of the group's major focuses is training and employment, holding a job and training fair in Vernon in partnership with the Rotary Club.

Vernon also continued its support and involvement with 'The White Butterflies', the largest care provider in the region, to support employment opportunities for people with learning difficulties.

SUMMARY ASSURANCE STATEMENT

2015

Jacobs has conducted an independent assurance review of Innospec's 2015 Sustainable Development Report in accordance with AccountAbility's AA1000 Assurance Standard 2008. This was the first year assurance was undertaken in accordance with the Standard and involved assessing Innospec's adherence to the AA1000 AccountAbility Principles (2008) of Inclusivity, Materiality and Responsiveness and assessing the reliability and quality of the sustainability information contained within the Report. A moderate level of assurance was obtained, which is the level generally adopted by companies when using AA1000 to assure their Sustainable Development report. Our Assurance Statement plus our recommendations for their further development can be found on Innospec's website www.innospecinc.com.

Jacobs, London, August 2016

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If you would like to provide feedback on
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