

Responsible Business Report 2017



Welcome

CEO STATEMENT

We understand the way we conduct our business is essential to the long-term success of Innospec. This is why our responsible business strategy and annual reporting are a core part of our overall approach. In this report, we give an overview of our 2017 performance across our four strategic areas: economic, social, environment and governance. We pride ourselves on being open and transparent about our performance, which is why our Responsible Business Report is independently verified every year to ensure it is accurate and evidence based.

Looking back over 2017, I am very proud of what our team has achieved; responding effectively to external challenges such as Hurricane Harvey and fluctuating market prices, challenging labor and transportation costs, but also continuing to create new opportunities through technology innovation and market development.

The acquisition of the European Surfactants business from Huntsman at the end of 2016 was our biggest to date for Innospec, with over 400 new employees and three new manufacturing sites joining the business. The acquisition has brought balance to our business portfolio and has enhanced our European presence. I've been incredibly impressed by the smooth integration of people, facilities and products with our existing business. Our customers have responded well and Performance Chemicals is going from strength to strength.

As we hit US\$1.3 billion turnover for the first time, we are mainly focused on organic growth, utilizing our assets to deliver smarter and better performance. Ultimately, we are a technology-based, customer-focused business that develops innovative new products that respond to the challenges set by our customers and by consumer trends. We develop long-term credibility and relationships with our customers to help provide society with the technology-led products that it needs. This is the basis of our responsible business strategy and it is core to Innospec's success.

Our people are our greatest asset. That is why I insisted that every person in the business, regardless of location, would have access to the company's ShareSave program, benefitting from our success. The program allows employees to save money over a set period of time and at its conclusion, either withdraw it or invest in Innospec stock at a discounted rate. The latest program completed in 2016 for US employees and 2017 for all other employees. When the last employees' options vested in 2017, the share price had risen over 200% from the original discounted purchase. With strong employee demand, we will be offering a third program in 2018, again available to all employees.






Once again, I have been very impressed by our employees' commitment to their local communities. Together, we raised over US\$453,000 in 2017 for 152 charities and good causes around the world, a record amount for the company. I am particularly proud and supportive of our Innospec Cares program, which entered its second year in 2017. Through this program, we actively encourage our employees to get involved with local and national charitable and community groups by match-funding the money they raise.

We ended 2017 in our strongest position yet and I look forward to building on this success in 2018. We will continue in our thoughtful and strategic way; delivering our business responsibly, putting our customers at the heart of all we do and further building a company of which we can all be proud of, now and in the future.



Patrick S. Williams
President and Chief
Executive Officer

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Inside Innospec

We are an NASDAQ listed (IOSP) global specialty chemical company that focuses on bringing new, innovative technologies to our customers. With approximately 1,900 employees in 23 countries, we manufacture and supply a wide range of products through our four business units; Fuel Specialties, Performance Chemicals, Oilfield Services and Octane Additives. Our products are developed, manufactured and distributed from our plants and operational locations based in North and South America, Europe, the Middle East, Africa and Asia Pacific.

We have an extremely diverse customer base, ranging from producers of prestige cosmetics, toiletries and beauty products to large oil companies. Although our customers' requirements span a broad range of applications, we make it our priority to provide all our customers with innovative products combined with excellent customer service and technical support.

We recognize that being a responsible business is key to our continued success. For us, it is an ongoing journey where we continue to learn and improve.

Our Four Businesses

Fuel Specialties

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. Our products help improve fuel efficiency, reduce pollution and emissions and make engines safer, more efficient and easier to maintain. As one of the largest providers of fuel additives in the world, our customers range from national and multinational oil companies to refineries, pipeline operators, fuel retailers, fleets, aviation companies and shipping lines.

Oilfield Services

We offer a wide range of high-performance novel technologies and support for drilling, completion, production and midstream applications. Our broad product range combined with excellent technical support helps our customers deliver efficient drilling, stimulation and completion solutions, while our production chemicals support flow assurance and asset integrity while helping to safeguard people and the environment. Our products aim to minimize environmental impact, reduce water use and improve the efficiency of hydrocarbon extraction.

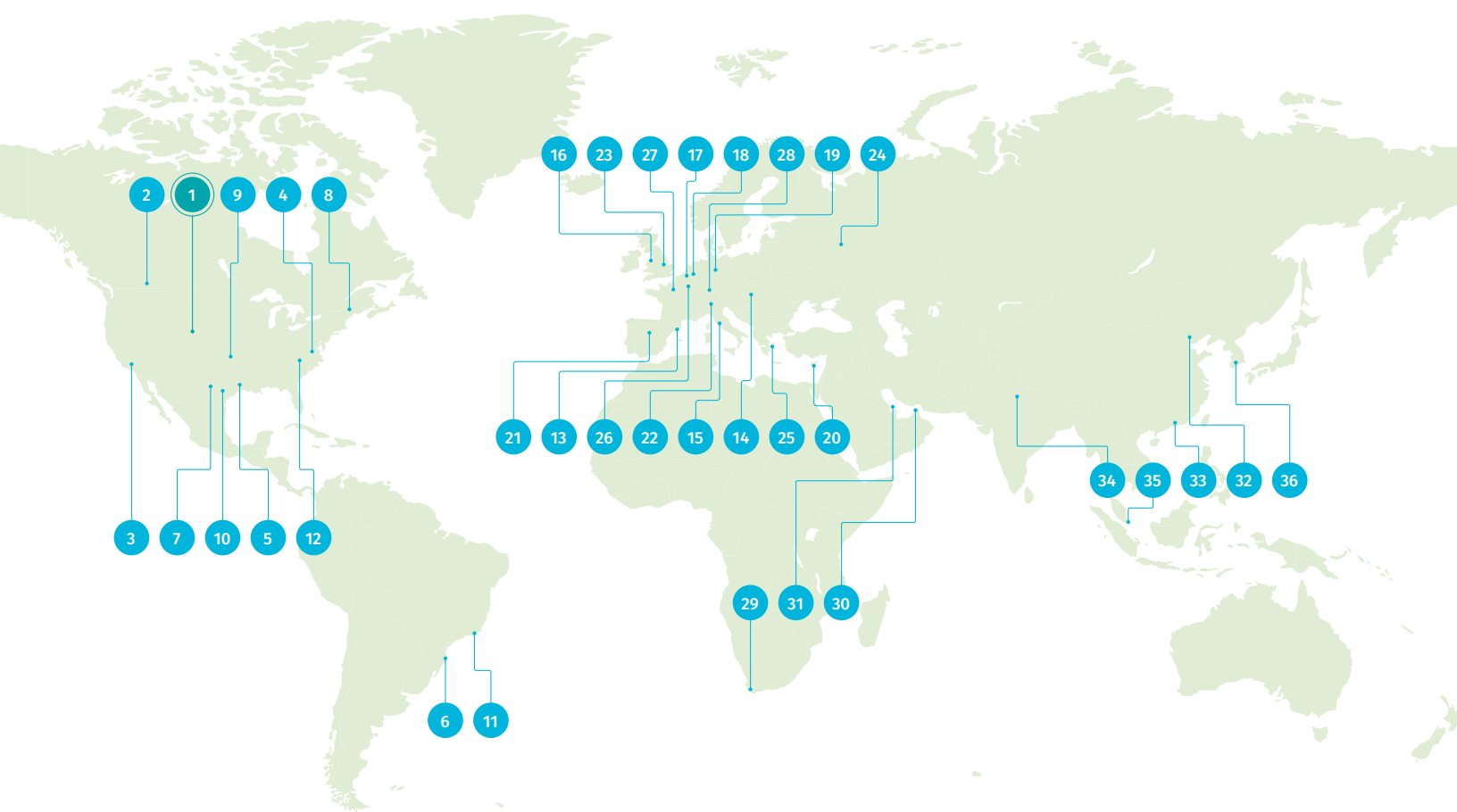
Performance Chemicals

We provide effective technology-based solutions for our customers' processes or products focused on the Personal Care, Home Care, Agrochemical, Industrial, Construction and Mining markets. We combine innovative ingredient technologies, using surfactants, solubilizers, emollients and silicones, with formulation expertise to deliver the right blend of science and creativity.

Octane Additives

As a responsible manufacturer of tetraethyl lead (TEL), we continue to support our customers as the motor and aviation industries transition to unleaded fuels. Throughout this phase-out period, our environmental remediation business manages the clean-up of redundant TEL facilities as refineries complete the transition to unleaded gasoline.

Worldwide Locations

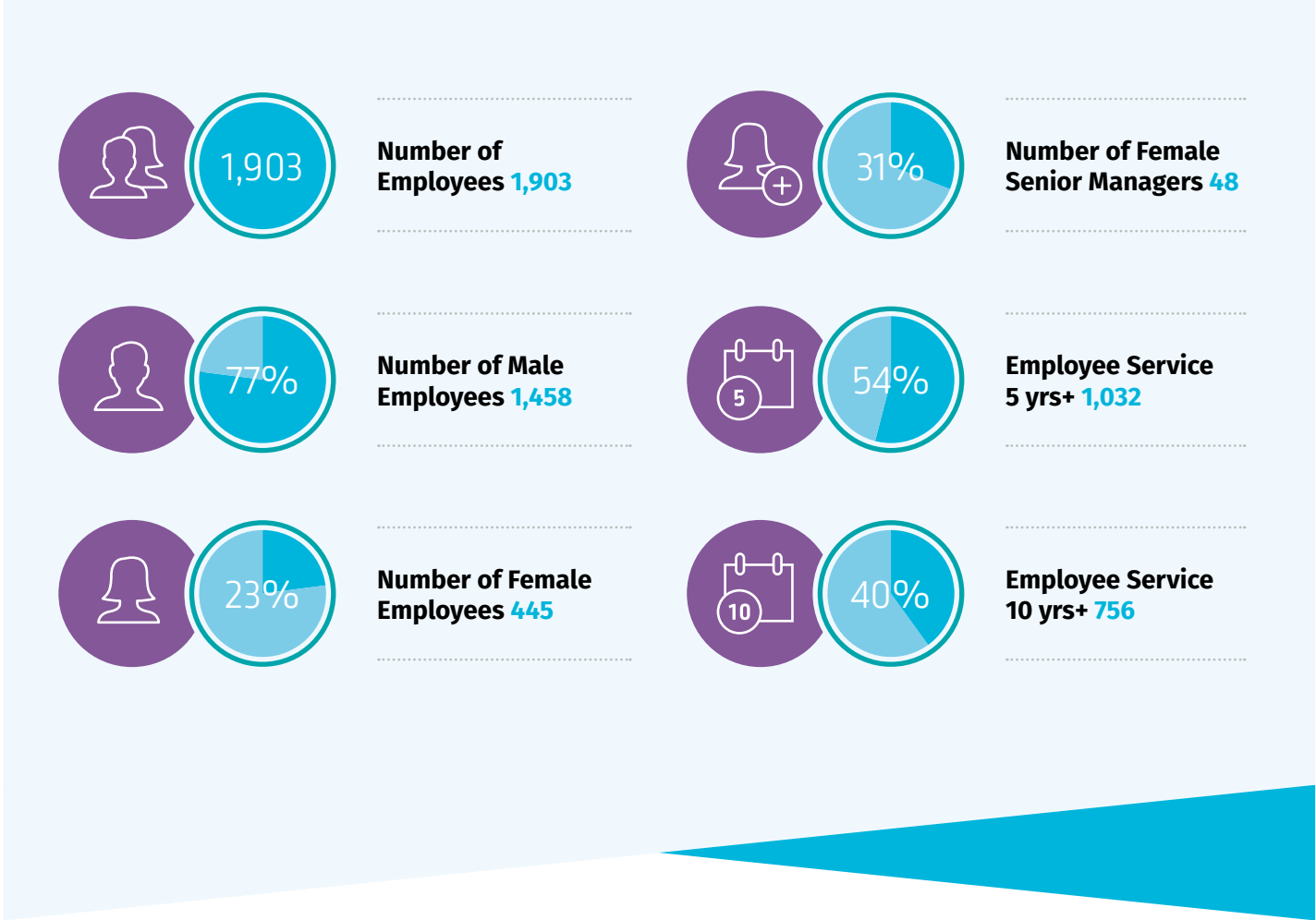


Key		
Offices / Sales		●
Technology Centre		●
Manufacturing		●
Head Office		●
Americas		
1	Englewood, CO, US	● ●
2	Calgary, Canada	●
3	Chatsworth, CA, US	● ● ●
4	High Point, NC, US	● ●
5	Houston, TX, US	● ●
6	Itajaí, Brazil	●
7	Midland, TX, US	● ●
8	Pencader, DE, US	●
9	Oklahoma City, OK, US	● ● ●

10	Pleasanton, TX, US	● ●
11	Rio de Janeiro, Brazil	●
12	Salisbury, NC, US	● ● ●
Europe		
13	Barcelona, Spain	● ● ●
14	Budapest, Hungary	●
15	Castiglione, Italy	● ● ●
16	Ellesmere Port, UK	● ● ●
17	Everberg, Belgium	●
18	Herne, Germany	● ● ●
19	Leuna, Germany	● ● ●
20	Limassol, Cyprus	●
21	Madrid, Spain	●
22	Milan, Italy	●
23	Millbrook, UK	● ●

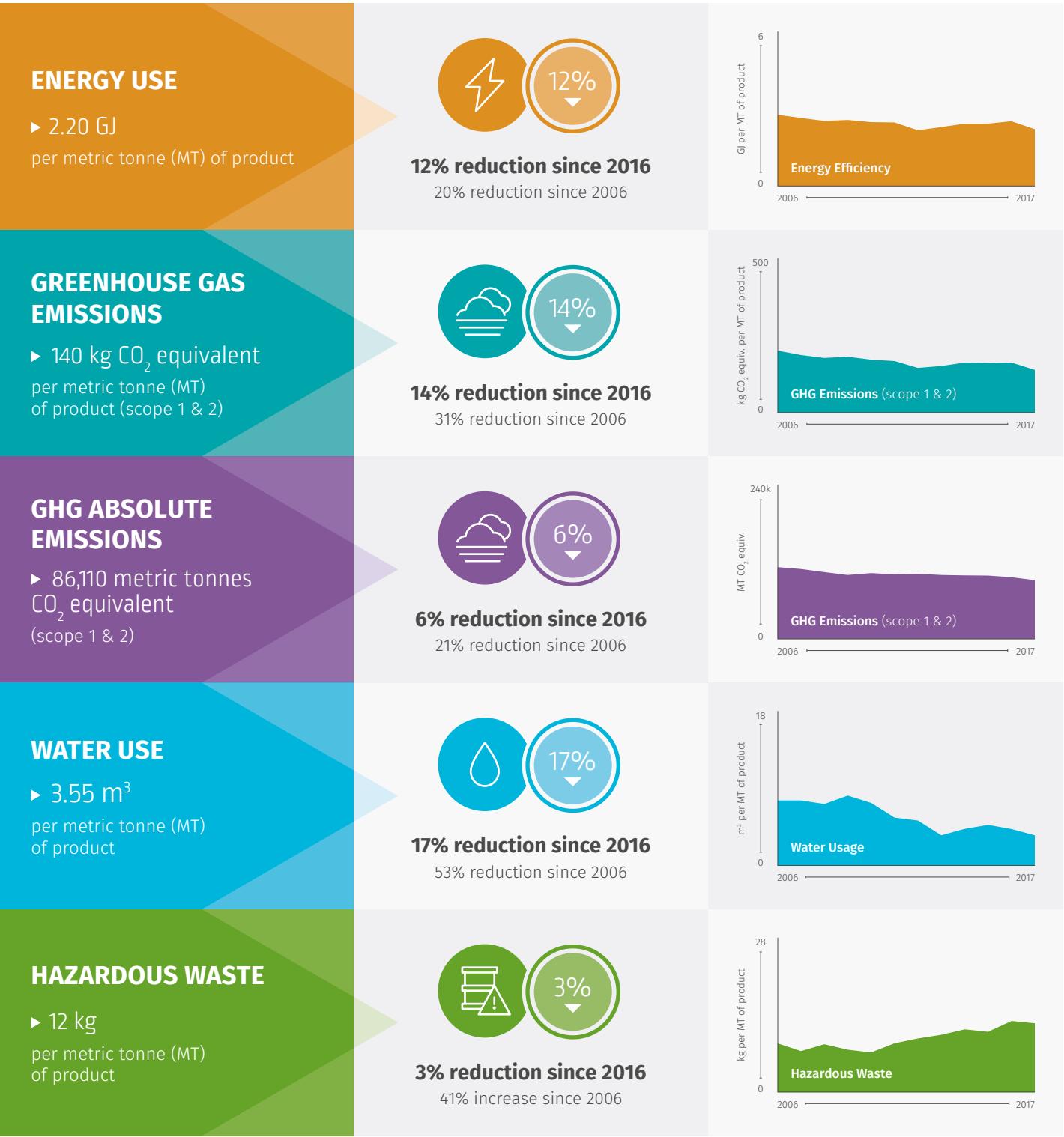
24	Moscow, Russia	●
25	Piraeus, Greece	●
26	St Mihiel, France	● ●
27	Vernon, France	● ●
28	Zug, Switzerland	●
Middle East / Africa		
29	Cape Town, South Africa	●
30	Dubai, UAE	●
31	Manama, Bahrain	●
Asia Pacific		
32	Beijing, China	●
33	Guangzhou, China	●
34	New Delhi, India	●
35	Singapore	● ●
36	South Korea	●

Workforce in Numbers



Environmental Performance

DASHBOARD



Issues That Matter Most to Our Stakeholders

Material Issues

The relationships we build with customers, suppliers, investors, employees and the communities that live and work close to our plants are important to us. By engaging with our various stakeholder groups, we can respond quickly to the constant changes in market demands, product requirements and regulation.

Identifying our stakeholders' priorities and the issues that matter most to them, helps us to understand their expectations and guides our actions and our reporting process. We completed our materiality assessment in 2017 and identified 17 issues that matter most to our stakeholders. We continue to use these issues to direct our approach and will undertake another assessment in 2020. The 'material' issues are shown in the graph below.

Our Top 17 Material Issues

EXTERNAL STAKEHOLDERS	high	<div>10</div> <div>16</div> <div>12</div> <div>17</div> <div>8</div>	
	medium	<div>9</div> <div>3</div> <div>6</div> <div>1</div>	<div>11</div> <div>14</div> <div>4</div> <div>5</div> <div>15</div> <div>7</div> <div>2</div>
	low		<div>13</div>
		low	medium
INTERNAL STAKEHOLDERS			

MATERIAL ISSUES

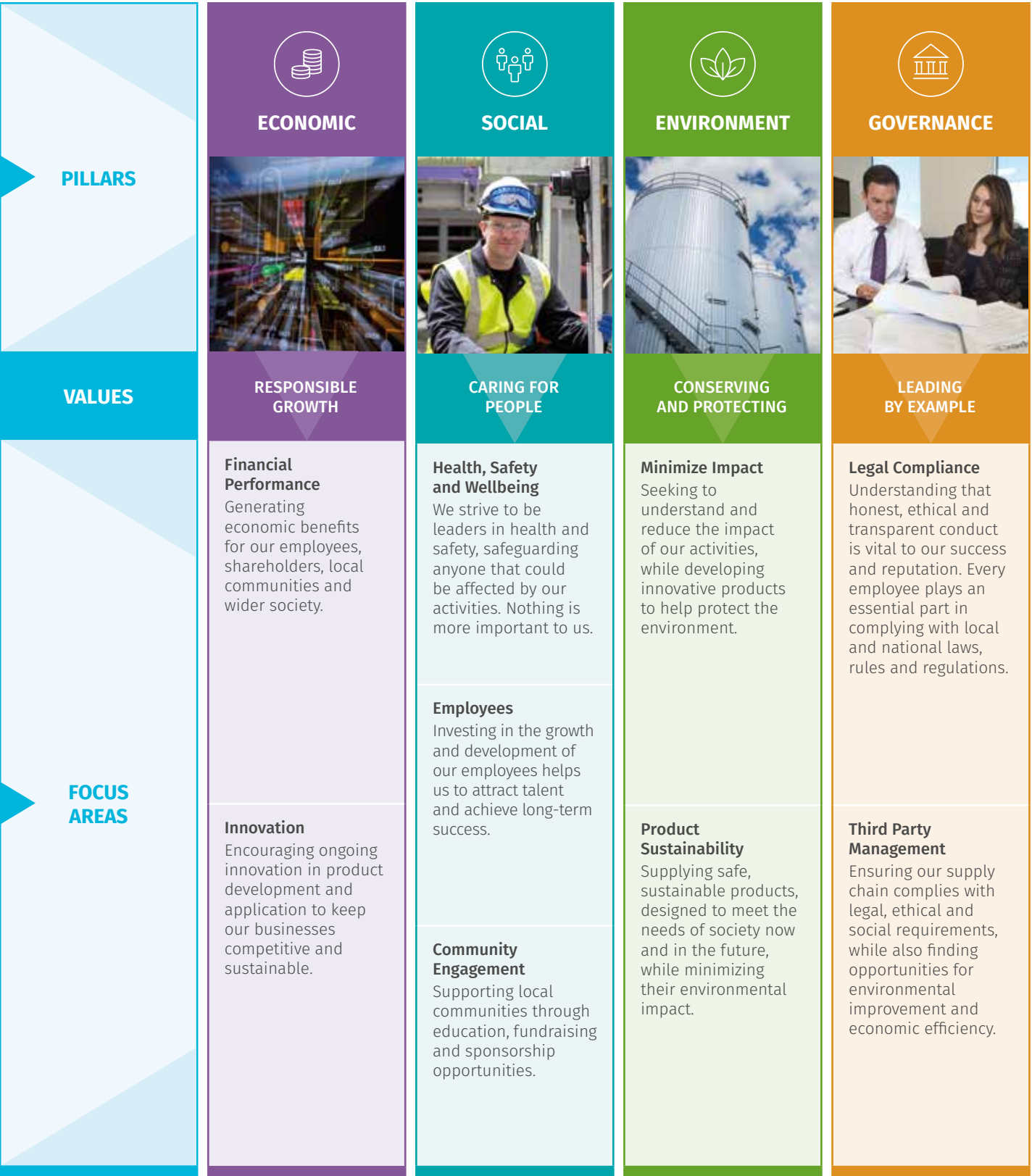
	1. Stakeholder Engagement
	2. Communication
	3. Innovation
	4. Health & Safety
	5. Product Safety & Consumer Wellbeing
	6. Product Stewardship
	7. Development & Training
	8. Community Engagement
	9. Energy Use
	10. Climate Change
	11. Hazardous Substances
	12. Raw Materials & Responsible Sourcing
	13. Legal Compliance
	14. Business Ethics
	15. Bribery & Corruption
	16. Human Rights
	17. Procurement & Supplier Assessment

ENGAGING WITH OUR STAKEHOLDERS

Our stakeholder groups and the ways we engage with them are shown in the diagram below.

STAKEHOLDER GROUP	METHOD OF ENGAGEMENT
<p>► Customers</p> <p>Identifying customers’ current and future needs helps us to understand where we can add value, which builds on our reputation and helps us to increase our sales.</p>	<ul style="list-style-type: none">• 2017 Materiality exercise• Questionnaires• Face-to-face meetings• Online (teleconferences and website)• Collaborating on sustainability programs including the Roundtable on Sustainable Palm Oil (RSPO) and CDP, formerly the Carbon Disclosure Project (see pages 45 and 47)• Technical support services
<p>► Investors</p> <p>Providing clear, transparent information to our investors demonstrates that we are managing a profitable responsible business.</p>	<ul style="list-style-type: none">• 2017 Materiality exercise• Quarterly briefings• Annual General Meetings• Reporting• Dedicated Investor section on the website
<p>► Employees</p> <p>Engaging regularly with our employees provides an opportunity for us to listen and provide feedback on their individual needs and take on board their views when determining the direction of the business.</p>	<ul style="list-style-type: none">• 2017 Materiality exercise• Ethics and compliance hotline• Direct communications (email, CEO updates and team meetings)• Annual performance reviews• Sustainable Development Network• Intranet• Training and development
<p>► Governance & Regulatory</p> <p>Proactively engaging and consulting with our regulators enables us to understand and prepare well in advance of any changes that have the potential to impact our business and operations.</p>	<ul style="list-style-type: none">• 2017 Materiality exercise• Participating in consultations, policy forums and advisory groups• Trade associations
<p>► Supply Chain Partners</p> <p>Working together with our supply chain partners enables Innospec to ensure that supply chain risk is managed effectively and to identify opportunities to improve the sustainability and economic efficiency of our products and services.</p>	<ul style="list-style-type: none">• 2017 Materiality exercise• Supplier evaluation process• Procurement and contract management processes
<p>► Community Members</p> <p>Engaging with our local communities where we operate is essential in maintaining our reputation as a safe and responsible neighbor and has a positive effect on employee motivation.</p>	<ul style="list-style-type: none">• Local employment opportunities• Work placements• Graduate programs• Lectures and demonstrations at local education providers• Community liaison meetings• Participation in local forums• Safety action notices• Innospec Cares Program (see page 29)• Additional donations and sponsorship activities
<p>► Non-Government Organizations, Sustainability Organizations & Advisors</p> <p>Collaborating with a range of NGOs helps us to understand both the immediate and wider sustainability issues affecting our products and the markets in which we operate.</p>	<ul style="list-style-type: none">• Membership of business and industry associations including RSPO• Participation in CDP supply chain assessment

Our Strategic Approach to Sustainability



Economic

RESPONSIBLE GROWTH

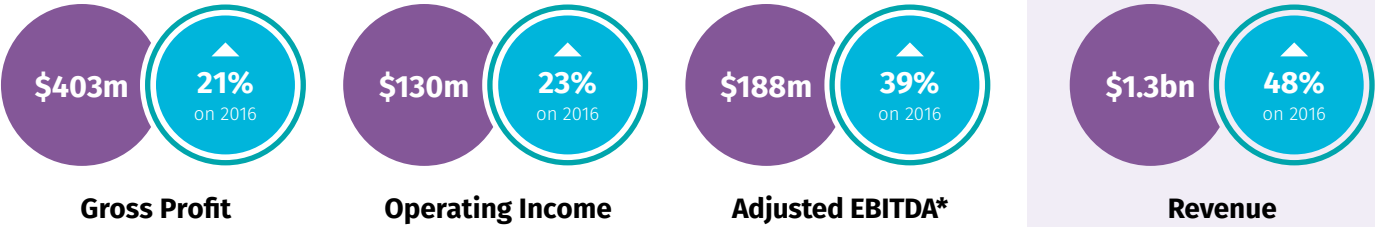
We have risen to the challenges of 2017, completing a major project to integrate the business acquired from Huntsman. In addition, we have managed a controlled recovery of the Oilfield Services business despite dealing with the impacts of Hurricane Harvey, which has impacted raw materials, labor and transportation. We finished the year strongly with our revenues exceeding US\$1.3 billion for the first time and gross profit of US\$403 million. Our operating income for the year was US\$130 million and adjusted EBITDA was US\$188 million.

In 2017, sales generated by our Fuel Specialties business grew in line with our expectations, with Performance Chemicals and Oilfield Services businesses exceeding sales forecasts.

Our strategy, across all three strategic businesses: Fuel Specialties, Performance Chemicals and Oilfield Services, is to continue to strengthen our market position through the development of new and improved products and technologies. We also continue to actively assess potential strategic acquisitions, partnerships and other opportunities that would enhance and expand our global presence and customer offering. We focus on opportunities that will extend our technology base or geographical coverage.

FOCUS AREA: Financial Performance

Generating economic benefits for our employees, shareholders, local communities and wider society.



Fuel Specialties \$524m

Net sales of **US\$524 million** and a gross profit of **US\$188 million**. Continuing to grow organically through our development of new products that respond to drivers such as changing engine technology and legislative developments.

Performance Chemicals \$420m

Net sales of **US\$420 million** and a gross profit of **US\$76 million**. Grown through acquisitions and the development and marketing of innovative ingredient technologies using surfactants, solubilizers, emollients and silicones.

Oilfield Services \$304m

Business delivered net sales of **US\$304 million** and a gross profit of **US\$109 million**. Growing strongly following the recovery in customer activity and technological advances as the industry improves from the decline experienced over the last two years.

Octane Additives \$59m

Business delivered net sales of **US\$59 million**. We continue to support our refinery customers as the motor industry transitions to unleaded fuels.

*Net income adjusted for interest expense, income taxes, depreciation, amortization and acquisition fair value adjustments

INTEGRATING PERFORMANCE CHEMICALS

At the end of 2016, we acquired the European surfactants business from Huntsman, adding around US\$230 million in sales revenue, manufacturing facilities in France, Italy and Spain and over 400 new employees to the company.

The acquisition has strengthened our Performance Chemicals business and brought balance to our overall company portfolio. We have significantly increased our production capability and product offering, enabling us to supply a greater proportion of our customers’ requirements. In addition, we now have adjacent market opportunities in Home Care, Industrial, Agriculture, Mining and Construction where we can apply our knowledge and expertise.

The integration of new sites, people and products has been a major project for the business throughout 2017. We are pleased with how smoothly the acquired business has been integrated and how well our customers have responded to our increased capacity and product portfolio.

In June 2017, we announced investment to increase production capacity at our St. Mihiel, France site. This strategic investment will focus on increasing our production of dried anionic surfactants, enabling the site to support its customers’ growth in this key growing market. We are now moving forward as a single, cohesive Performance Chemicals business.

“We had a really good year in Performance Chemicals. The acquisition has gone smoothly and we are very excited about the prospects for our business going forward. Acquisitions are notoriously complex, but we planned very carefully, developing a robust strategy using a comprehensive risk management approach. As a result, we are particularly pleased that the new surfactants business has been integrated seamlessly.

“Our people-focused culture has facilitated the transition for our new employees, helping them adopt Innospec’s values, high levels of customer service and technology-led approach. Already, the acquired sites are helping to drive our business forward with dried anionic surfactants production increasing. We’ve had a really positive response from our established customers and also interest from new customers now that we can provide more components for their formulations and take more space in their bottle.”

Bruce McDonald,
President, Performance Chemicals

REGISTERED BUSINESS IN CHINA

In September 2017, we announced registration of our new wholly foreign-owned enterprise in China. Innospec Chemical (Beijing) Co. Ltd. began full operation in October, replacing the previous representative office. By registering in China, we can now directly employ local people, trade in local currency and provide full service-levels and support to customers and distributors. The Beijing office now has a core team of locally-based employees that are firmly establishing Innospec’s presence in the Asia Pacific region.

“We are delighted to improve our service to customers across all of our businesses in China. We look forward to working with our customers to create competitive and innovative solutions.”

Sean Pang,
Regional Director, Asia Pacific

KNOWLEDGE MANAGEMENT

As a global business, organizing, storing and sharing vital information is essential but can be a real challenge. Our knowledge management project was established in 2014 to provide a secure and up-to-date system, safeguarding our intellectual assets and ensuring we can maintain our operational capability in the event of any incident.

The team set up to roll out the system includes functional leaders, IT support and a dedicated Knowledge Manager. The system is comprised of a knowledge management framework where each business and function are represented. A number of these have now been fully integrated into the framework system with the remaining areas progressing well. In 2017, we incorporated a Quality Management function and identified a global team of custodians to help determine users and access requirements for each functional site.

“Knowledge management is an ongoing process that is essential to the continued success and sustainability of the company. We now have a global system in place that makes sure the right people have the right access to the right data, in a secure manner. We are looking forward to continuing the great progress and strong momentum.”

Ian MacMillan,
Vice President, Technology



FOCUS AREA:

Innovation

Material Issue

Encouraging ongoing innovation in product development and application to keep our businesses competitive and sustainable.

Innovation and research provides the foundation for growth across our Fuel Specialties, Performance Chemicals and Oilfield Services businesses. We strive to develop cleaner, safer and more efficient products that are fit for society's current and future needs.

Our proven technical capabilities give us a significant competitive advantage. We focus our Research and

Technology (R&T) activities on a business prioritized basis:

- Anticipating customer requirements.
- Identifying and responding to market influencing developments.
- Understanding the opportunities created by advances in technology.

US\$31.4 million

invested in Research and Technology (R&T), up US\$6 million on 2016

215 People

working globally in R&T and Technical Support

Corporate R&T Center

based at Ellesmere Port, UK

Fuel Specialties Engine Testing Facility

at Millbrook, UK

4 Regional R&T Centers

Global Network

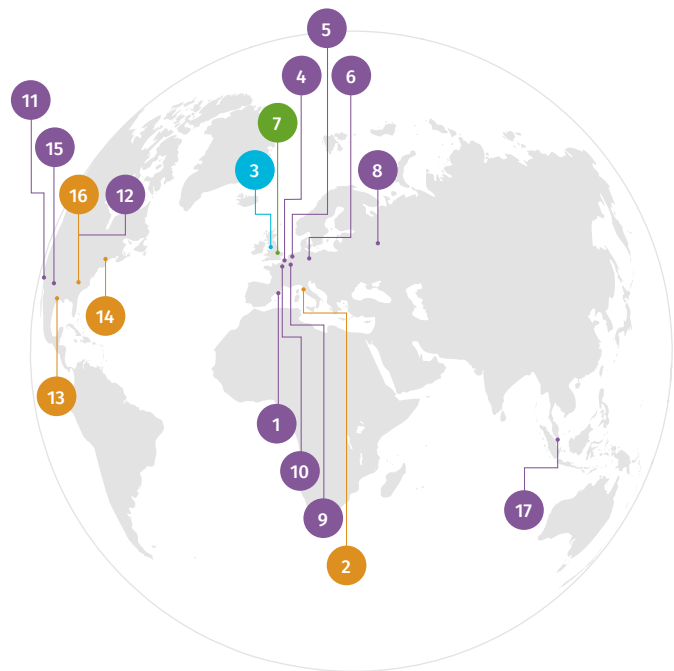
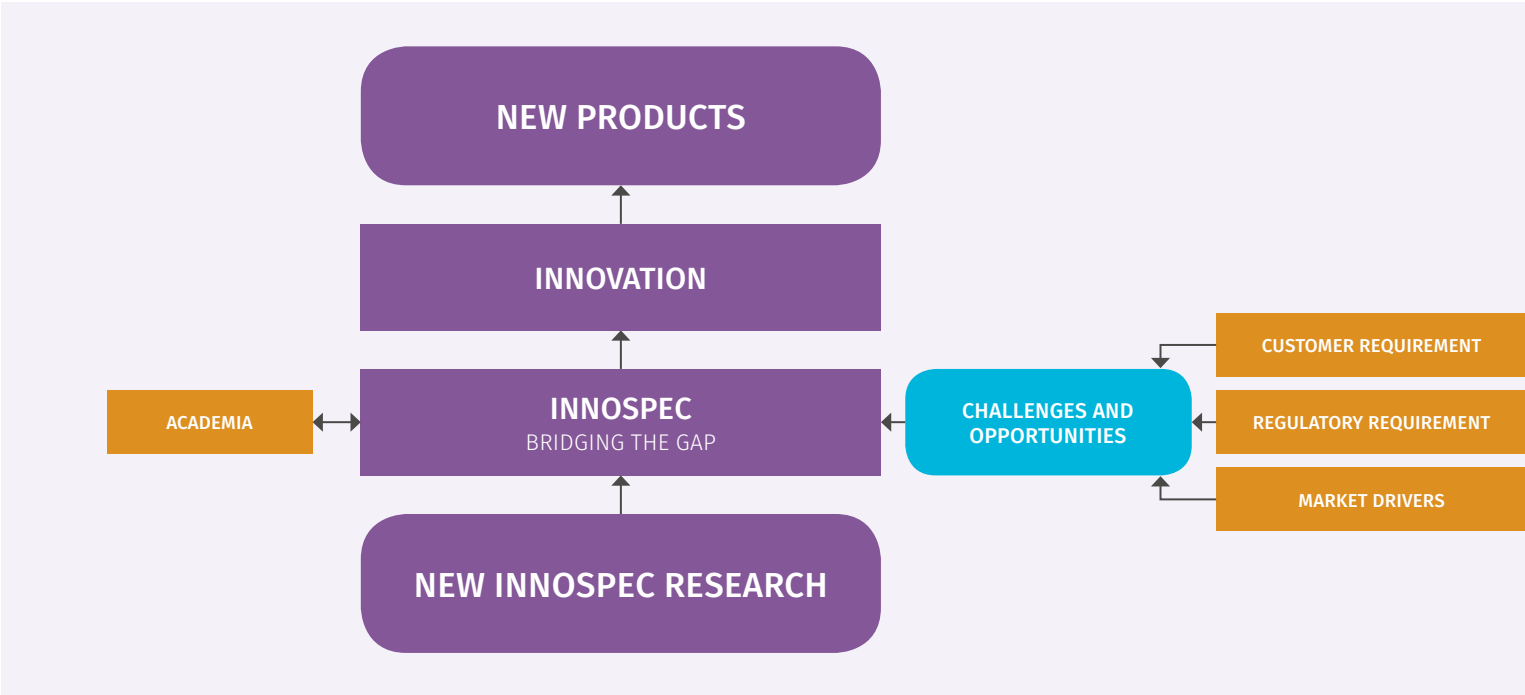
of 11 Technology Centers
























Our Innovation Model

Our R&T department provides technical support for all of our business segments. The Corporate R&T Center is based at Ellesmere Port in the UK and operates alongside a specialist engine testing facility in Millbrook, UK and four Regional R&T Centers located in Castiglione, Italy and Salisbury, NC, Houston TX,

and Pencader, DE in the US. These R&T Centers are supported by a global network of 11 Technology Centers that respond to specific business and local requirements. Our skilled and knowledgeable team bridge the gap between the scientific community and our customers, identifying relevant research and making it practical, targeted and user-focused.



Technology Centers & Corporate R&T Center

Corporate R&T Center		8	Moscow, Russia		
Regional R&T Center		9	St Mihiel, France		
Specialist Testing Facility		10	Vernon, France		
Technology Center		Americas			
Europe		11	Chatsworth, CA, US		
1	Barcelona, Spain		12	High Point, NC, US	
2	Castiglione, Italy		13	Houston, TX, US	
3	Ellesmere Port, UK		14	Pencader, DE, US	
4	Everberg, Belgium		15	Oklahoma City, OK, US	
5	Herne, Germany		16	Salisbury, NC, US	
6	Leuna, Germany		ASPAC		
7	Millbrook, UK		17	Singapore	

| Innovation

In 2017, we invested just over US\$31 million to support our R&T services, a 20% increase on 2016. Our research teams work in partnership with key stakeholders to develop innovative, customer-focused products that respond to market and regulatory challenges and opportunities. The teams at our newly acquired sites have brought a range of new products and opportunities for further development.

We maintain a strong pipeline of new and innovative products. For example, in the last five years, our Fuel Specialties business has developed a number of new detergents, cold flow improvers, anti-foulants, stabilizers, lubricity and combustion improver products, as well as the introduction of many new cost-effective fuel additive packages. Our proven technical capability has also been instrumental in enabling us to produce innovative Performance Chemicals products, which includes our Iselux® range.

►►► Innovative product ranges

Iselux®: a breakthrough in surfactant chemistry
As a sulfate-free surfactant, Iselux® is a functional alternative to ammonium lauryl sulfate and sodium lauryl sulfate, overcoming many of the disadvantages of these products. Iselux® is ultra-mild, making it gentle on the skin and it is largely derived from natural/renewable feedstocks and is readily biodegradable.

Statsafe™: reducing the risk of static electricity
Where there is movement of solvents in the form of filling, splashing or stirring, a static charge can be generated. If the conductivity of the liquid is low, this charge can build and be released as a spark, which could lead to fire or explosion. Statsafe™ is a range of static dissipaters that improves production throughput, increases conductivity, reduces electrostatic hazards and protects personnel and manufacturing equipment in a variety of applications.



Intellectual Property

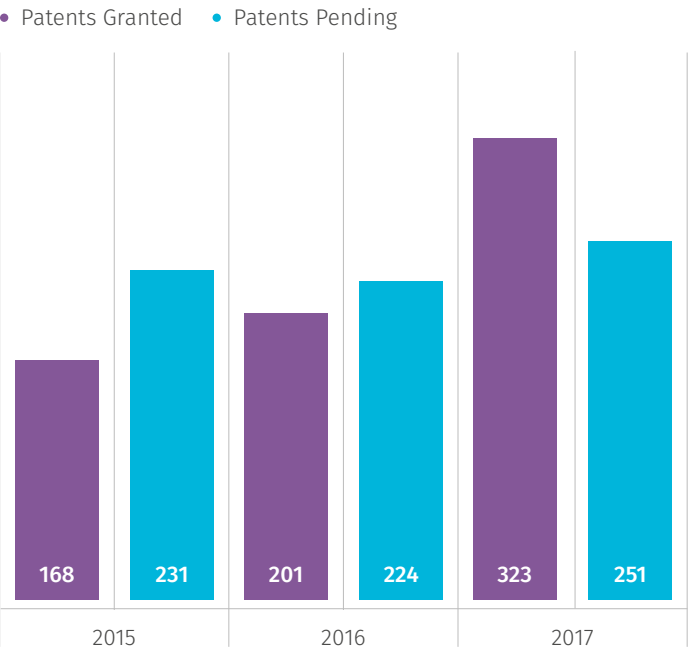
Our intellectual property is a significant part of our competitive advantage and we actively protect our inventions, new technologies and product

developments by filing patent applications and maintaining trade secrets. We have a portfolio of trademarks and patents, both granted and in the application stage, covering products and processes in several jurisdictions.

“ Our technical capabilities and innovation culture ensure we have a robust pipeline of products which meet our business needs for novel solutions to market and regulatory drivers. Indeed, our long-standing customer relationships mean that clients reach out to partner with us in their new product development programs. We are very excited about the outcomes of these ventures and strive to push the industry forward, making better products and solving these challenges. Innovation is at the core of everything we do; it drives our company, keeping us competitive and sustainable.”

Ian MacMillan,
Vice President, Technology

Patent Applications



NEW PRODUCT HIGHLIGHTS FOR 2017

Performance Chemicals

Our Pureact range of mild surfactants includes nearly 20 different options to meet varying requirements. In 2017, we added two new products to the range:

Pureact BB – A concentrated surfactant blend developed for economical sulfate-free personal care products. It is a high foaming, optimized blend producing crystal clear finished formulations. This concentrate only requires the addition of water for dilution and sodium chloride for viscosity adjustment. In addition, fragrance can be blended directly into a formulation.

Pureact SNDT-65 – Unlike aftermarket preparations of Sodium Cocoyl Isethionate and Stearic Acid blends, which tend to produce granular or “gritty” finished products, the liquid blending of molten Stearic Acid and molten Sodium Cocoyl Isethionate results in a smooth, grit-free flake which retains this characteristic throughout subsequent processing.

Oilfield Services

In the US, companies using a slickwater fluid system for hydraulic fracturing needed higher viscosity, non-guar-based fluids to carry the desired sand concentration downhole and into the fracture network. The traditional emulsion-based friction reducers (FRs) were not providing cost-effective performance. Innospec was challenged to develop a suite of high efficiency FRs and in response developed our HighRate™ range, which are proven to perform better than the traditional FRs at a lower cost. HiRate Plus™ has placed us at the forefront of current friction reducer innovation. The key concepts involved in the manufacture of HiRate Plus™ are patent pending and have led to a whole new generation of products, the first being HiRate Maxx™.

Fuel Specialties

In November 2017, we launched a range of Powerguard™ Multifunctional diesel additive packages that contain our latest generation of diesel detergent technology. The performance targets of this particular application were set at a top-tier performance level to ensure the end customer had the best performing fuel in the target market. This was to enable our customers to remain market leaders and demonstrate superior performance of modern direct injection diesel engines in terms of engine cleanliness, durability, driveability and efficiency.

“ *In Fuel Specialties we have a range of new products coming through that have been driven by our understanding of the market and the needs of our customers. We do focused research designed to solve our customers’ issues through innovation and new product development. Our sales process ensures that we understand our customers’ requirements and ensure they get the products and technical support that they need.”*

Phil Boon,
Executive Vice President
& Chief Operating Officer

**Take the Lead:
Employee engagement for innovation**

At the start of 2017, our Fuel Specialties business in Europe, Middle East and Africa and Asia Pacific launched a project called Take the Lead. The project called on employees to look at the way we do business and come up with ideas of how we could do it better. Take the Lead is all about adapting and responding to the changing market conditions and ensuring that we are prepared to meet and overcome any challenges ahead.

The project has been incredibly successful with 1,115 ideas submitted during 2017 and estimated savings of US\$2.3 million. We received ideas across all areas of our business, from customer services to engineering. Our employees have embraced the opportunity to take ownership for improving the business. Engagement and motivation to take part in the program was helped throughout the year through quarterly communications and updates, with an award for the Idea of the Quarter.

“ *The project has exceeded all our expectations. At the start, we were curious to see if employees would see this as a burden – ‘another thing to do’ – but it has been completely the opposite. The project has created a real culture change where everyone is empowered to improve the business and contribute towards our ongoing sustainability. There is a real pride in what our employees have achieved through Take the Lead. We are continuing the project in 2018 and are looking to roll it out to the other business segments.”*

Christian Uerkwitz,
Marketing Director, Fuel Specialties

Quarterly Winners of Take the Lead

QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Alejandro Bastande	Gavin Taylor	Christina Gutjahr	Rami Hamad
<p>Obtained approval from the Regulator to move from multiple customs Excise Movement Control System (EMCS) notifications to a single notification for multi-load deliveries.</p> <p>The idea has resulted in a more efficient process, enabling quicker and cheaper supply of products to our customers.</p>	<p>New structured process for storage and transportation equipment hire.</p> <p>A new streamlined and coordinated process will lead to a targeted saving on equipment hire of up to 30% at our Ellesmere Port, UK, site with expected savings of over US\$300,000.</p>	<p>Producing exhibition material for international trade conferences locally rather than centrally.</p> <p>Enables increased flexibility on formats produced and provides production and freight cost savings.</p>	<p>Licensing local distributors to formulate and blend specified Innospec products.</p> <p>Increases competitiveness by reducing transport costs and associated emissions, improves delivery lead time and creates additional ‘in-country value’ at local level.</p>
Location: Madrid, Spain	Location: Ellesmere Port, UK	Location: Herne, Germany	Location: Dubai, UAE

Social

CARING FOR PEOPLE

People are at the heart of our business. We strive to create a safe and caring culture where our employees are supported and encouraged to make a positive contribution.

Our continued success depends on keeping people safe, promoting a healthy lifestyle, protecting human rights, improving education, training and maintaining good relations with our neighbors.

We take each of these responsibilities very seriously and in 2017 there were some exciting and important developments.

We saw our global team grow to just over 1,900 people, making it more important than ever to focus on our employees and their health, safety and wellbeing. In this section, we look in detail at our performance across the social strategic focus areas.

FOCUS AREA:

Health, Safety and Wellbeing



Material Issue

We strive to be leaders in health and safety, safeguarding anyone that could be affected by our activities. Nothing is more important to us.



decrease in the number of accidents since 2016¹



increase in the number of near misses raised since 2016^{1,2}



Journey to Zero Harm corporate behavioral safety program introduced



per 100,000 hours Innospec Employee Lost Time Accident Frequency Rate (LTAFR) compared to the UK Chemical Industry average of 0.16



increase in number of Loss Of Containment events¹



of manufacturing sites are now at the controlling level of the UK Chemical Industry Association's Health Metrics Indicator Tool

1. 2017 was a year of transition with the integration of newly acquired sites into the Innospec SHE reporting systems in the latter half of 2017. For comparative purposes, data is presented on a like for like basis with 2016, so excludes data for the newly acquired sites, which will be included from 2018 onwards.

2. Defined as a learning event that did not cause harm but had the potential to cause injury or loss; the more reported and addressed the lower the risk of a future incident.

Health, Safety and Wellbeing

Everybody needs to return home safe at the end of the working day. The safety of employees, communities and everyone involved in the manufacture, use or disposal of our products is our number one priority. We set high standards for process and occupational safety, which is managed by our network of Safety, Health and Environment (SHE) professionals throughout the business. SHE always will be a top priority for us with our three core objectives being that:

- **No-one gets hurt.**
- **We don't annoy our neighbors.**
- **We leave only the gentlest footprints on our environment.**

As we grow and develop, we periodically review the Corporate SHE structure and organization to ensure that we have the right resources and approach. We ensure that SHE leadership comes from the top through our Responsible Care Executive Committee (known internally as RESPECT), which comprises of members of the senior leadership team.

RESPECT, led by our CEO, Patrick Williams, is responsible for setting the group's SHE policy and objectives across the global business and monitoring ongoing performance throughout the year. In 2017, to support this process, a new Manufacturing SHE Group (MSG) was established. The MSG role is to ensure a consistent and efficient approach to SHE at our manufacturing sites and related activities, while recognizing the regional characteristics of various business needs. The group works with business heads to ensure that appropriate programs of work are developed and implemented to achieve SHE objectives and to drive further improvements in performance.

Together, we have worked hard over many years to establish a strong culture of safety within our organization and this is reflected in our performance. In 2017, it was encouraging to see the continuing decrease in the number of accidents across the business and the increase in the number of near miss events reported. We see every near miss as an opportunity to lower the risk of future accidents or incidents and ensure that they are reported and addressed.



PROCESS SAFETY

As a major global producer of specialty chemicals, handling high hazard materials, process safety is central to our approach as a responsible business.

Our three-tiered approach to process safety management ensures that we operate to the highest standards at all times. Any concerns are quickly identified, raised with senior management and addressed.

Process Safety Management

Process Safety Standards

Our Process Safety Standards are focused fundamentally on the control of critical hazards. They have been tailored to help us maintain a consistent basis of safety for all our processes. Our standards are reviewed continually against best practice. We amend and add new procedures wherever necessary, following any incidents that occur in the chemical industry.

- ▶ **Risk assessment:** Identifying hazards and necessary critical control measures.
- ▶ **Safe operation:** Ensuring critical control measures are built into operational procedures.
- ▶ **Management of change:** Evaluating and eliminating the risk that a change may have on 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 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 activities required.

Process Safety Performance Indicators (PSPIs)

Our PSPIs are monitored at a site level and are used to determine the effectiveness of

all programs and activities targeted at reducing process safety incidents. The Executive Team and CEO discuss all sites' PSPIs at their quarterly RESPECT meetings and use the information to identify any areas that need further support or education.

Process Safety Leadership

Introduced in 2010, our Process Safety Leadership program involves the Executive Team undertaking personal on-site visits. These visits are specifically focused on process safety and are in addition to our longstanding

corporate process safety auditing program. They demonstrate at local level the Executive Team's commitment to the prevention of incidents and accidents. In 2017, the Executive Team made six visits to the following sites: High Point and Salisbury in NC, US, Ellesmere Port, UK, Herne and Leuna, Germany, and Vernon, France.

HEALTH AND SAFETY TRAINING

Training is an essential part of our health and safety strategy. To minimize the risk of accident or injury, we ensure that our employees have the information they need, delivered effectively and at the appropriate time. Our ongoing training programs demonstrate our commitment to targeting zero accidents, ensuring that safety is always top of mind and that we continually raise standards. Each year at local level, teams across our sites take part in a variety of site specific training courses to ensure that employees are competent and safe in their roles. In 2017, this included courses in hazard awareness, process safety, fire prevention and control, first aid and permit to work.

Behavioral Safety

In 2012, we introduced an objective for all sites to implement behavior safety training and it has been a key part of our local delivery strategy ever since. All sites have a year-on-year objective to develop and maintain an ongoing behavioral safety training program focusing on:

- **Actively promoting hazard identification and personal safety risk assessments by operational and maintenance personnel.**
- **Reinforcing the ‘safety comes first’ principle.**



OUR JOURNEY TO

ZERO HARM

In 2017, our manufacturing facilities continued to deliver our behavior safety programs at the local level. As part of our ongoing commitment to continually improve safety performance, RESPECT agreed to develop and launch a new corporate behavioral safety improvement program: ‘Journey to Zero Harm’ to be implemented at all sites and in all functions across Innospec.

Building on the excellent existing behavioral safety activities at our sites, the program sets out Innospec’s expectations in a clear and consistent message and provides the tools to help everyone focus efforts on achieving our goal of zero harm to people, environment and our assets. The program consists of five elements that are shown on the right.

The focus of the program is ‘Embracing Safety Together’ and sets out a shared commitment to delivering a positive safety culture.

The rollout of the program ensures board and leadership buy-in, demonstrating the behavior expectations and safety culture from the top down. All manufacturing management teams participate in a one-and-a-half-day training course during which each site must establish their expectations and develop a roll out program. As part of this program, operational teams receive two training modules on hazard awareness and how to carry out the 60 second checks.

In 2017, all the newly acquired sites, North Carolina, US, and Leuna, Germany, received the JTZH training. The training roll-out program will continue in 2018 with the remaining manufacturing locations followed by the Board, global business teams and all other employees, including office, sales and R&T, targeting 2019 for completion of this phase.

1 Safety Leadership

Leaders understand and commit to a shared safety vision so that common beliefs, attitudes and behaviors are consistently delivered to everyone

2 Safety Interactions

The site management team builds trust and relationships, sharing the safety vision and confirming that operational staff understand the risks involved in their activities and the necessary precautions

3 Hazard Awareness

A training package targeted at common hazards identified across the group

4 60 Second Checks

Personal risk assessment conducted by an individual at the point of work

5 Performance

Reviewing and monitoring to promote continuous improvement

“Despite ongoing efforts, our safety performance had begun to plateau. We needed a new approach that builds on our strong existing culture that safety is everyone’s responsibility and we look out for each other.

Peter Shields,
Group Safety, Health and Environment Director

A DECADE OF SHARING BEST PRACTICE

Ten years ago, we introduced a Safety, Health and Environment (SHE) Best Practice group to help our sites benefit from each other’s experiences. The company’s safety professionals come together and discuss any serious accidents, incidents and near misses that occur.

The group meets biannually, with each manufacturing site hosting the meeting in rotation. At each meeting, the group tours the host site to spot any potential issues, near misses and examples of good practice.

When the first 12 members of the group came together, it was agreed that the meetings would only continue for as long as the process was valuable for everyone. Ten years later the group continues with around 23 representatives from all Innospec manufacturing locations. The group has proved a valuable way of allowing our SHE professionals to network, build relationships, share issues and continually improve standards across all our sites.

In October 2017, we also created a new SHE Best Practice page on the corporate intranet as a central location for shared best practice documents and

information. As an example, SHE alerts are created for all very serious and some serious events and posted on the page to enable other locations to review with their teams and implement any applicable learnings.

“Sharing best practice and experiences with peers is essential to establishing and maintaining a common culture across a global company. Working together, progress and development is so much quicker than when working in isolation. Over the last decade, we’ve created an international team with strong SHE principles and experience, enabling us to maintain high standards across all sites of the Innospec family. The fact that 2017 is the tenth year of these biannual meetings is testimony of their value to those attending.”

Helen Coy,
Group Sustainable Development Manager

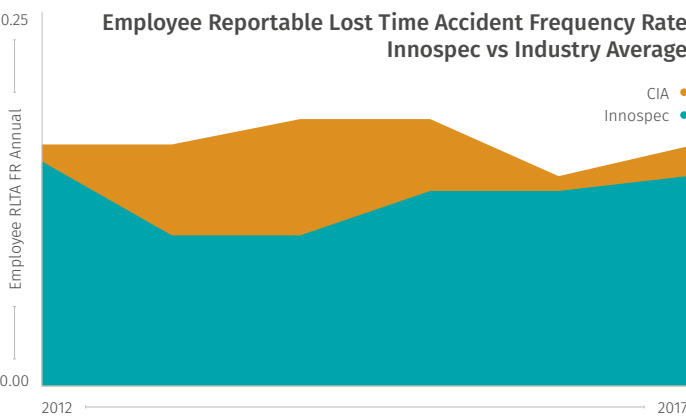


SAFETY PERFORMANCE

Each year, we aim to achieve a zero employee Innospec Reportable Lost Time Accident (IRLTA) Frequency Rate. As a minimum acceptable standard, our target is to continue to perform better than the industry average for the UK Chemical sector. At the end of 2017, we had an employee IRLTA Frequency Rate of 0.14 per 100,000 hours, which was better than the industry average of 0.16.

We have developed a comprehensive reporting and investigation system to ensure that we can quickly and efficiently establish the causes of any accidents, incidents and near misses, and are able to take effective corrective action. Despite our IRLTA frequency rate being below the industry average, we unfortunately have to report five IRLTAs in 2017 across the Innospec group. Four of the accidents were as a result of falling; either from tripping or descending from equipment. The fifth accident resulted in a condensate burn to an operator’s foot. Although it is

disappointing as we always strive for zero accidents, we are pleased to report that none of the accidents resulted in lasting injury and all those involved have made a full recovery. Measures have been put in place to prevent similar accidents from happening again.



ADDRESSING LOSS OF CONTAINMENT EVENTS

We are committed to ensuring the safe containment of process materials we handle at our manufacturing facilities. Our sites are encouraged to report all Loss of Containment (LOC) events regardless of the quantity or material. All LOC events are investigated to fully understand and address the causes and effects. All manufacturing facilities are required to develop and implement an LOC reduction program that is reviewed quarterly. In 2017, our sites carried out a range of prevention activities including:

- Replacing pumps and seals to increase reliability of the equipment.
- Increasing frequency of preventive maintenance activities.

- Rationalizing flexible hoses by installing fixed lines.
- Replacing aging pipework.
- Installing level measurement and overfill protection.
- Training operators on prevention including flange tightening and spillage control.

In 2017, we reported that both the number of LOC events reported and the quantity lost in 2017 increased by 9% and 43% respectively compared to 2016. While there was no long-term impact to people or the environment, LOC reduction continues to be a key focus area for the company. In 2018, our objective is to ensure that LOC reduction programs reflect appropriate trend analysis of the numerous minor events and the Root Cause Analysis of the fewer more serious events.

RECOGNIZING AND REWARDING SAFE BEHAVIOR

Corporate Safety Awards

One of the ways that we recognize and reward good safety performance is through our Corporate Safety Award. The award program recognizes manufacturing sites and associated operations that reach a calendar year or more without an IRLTA. Each site achieving one, three or five years without an incident are presented with a corresponding plaque and donation to a charity of their choice.



2017 Silver Plaque Award
3 Years without an Innospec RLTA
Pleasanton, TX & High Point, NC, US



2017 Bronze Plaque Award
1 Year without an Innospec RLTA
Barcelona, Spain

A US\$1,000 donation to charity is awarded with a Bronze plaque and US\$3,000 for each Silver plaque. The total donations for 2017 amounted to US\$7,000. Each receiving site nominated a charity to receive their donation:

- **High Point, NC, US chose United Way of Greater High Point, who through charitable partnerships aim to improve education, financial stability and health for those living locally.**
- **Pleasanton, TX, US selected the Boot Campaign, who provide life improving programs to veterans and military families across the US.**
- **Barcelona, Spain, nominated Tots Som Santboians, a local association who support mentally disabled people of all ages.**

In addition, the following manufacturing sites successfully completed a fourth year without an IRLTA and remain on course for a Gold Award at the end of 2018: Chatsworth, CA, US; Ellesmere Port, UK; Herne, Germany; Salisbury, NC, US; and Vernon, France. Oklahoma City, OK, US, completed their second year and remain on course for a Silver Award in 2018.



Corporate Safety Certificate

Our Corporate Safety Certificate program recognizes key milestones of employee hours worked without an IRLTA. In 2017, the following sites received safety certificates:



Gold Certificate
2 million employee-hours worked
Herne, Germany



Silver Certificate
0.5 million employee-hours worked
Pleasanton, TX & Oklahoma City, OK, US



Bronze Certificate
0.25 million employee-hours worked
Midland, TX, US

External Recognition

Ellesmere Port, UK, received their second Order of Distinction Award from the Royal Society for the Prevention of Accidents (RoSPA) for its excellent health and safety performance in 2017. The award recognizes 16 consecutive years of achieving RoSPA Gold.

We also received external recognition for maintaining a safe and healthy work place at both our High Point and Salisbury sites located in NC, US. Both sites qualified for a Silver Safety Award from the North Carolina Department of Labor (Safety Awards) program. The award recognizes that both sites did not have a lost time accident in 2017 and maintained a CDAW (cases with days away from work) of zero. The latest released US chemical industry average CDAW is for 2016, which was 0.6.

WELLBEING

As a business, we believe our people are our strength. Their commitment, experience, professionalism, can-do approach and ability to build strong sustainable relationships are fundamental to our success. In return, it is our responsibility to ensure their wellbeing, creating a culture and environment that supports everyone’s physical and mental health.

Using Metrics to Help Improve Employee Health

In 2014, we began to use the UK Chemical Industry Association’s (CIA) Health Metrics Indicator tool. The aim of this is to promote a sustainable, healthy workplace by enabling us to compare and score our health programs with industry best practice using the following parameters:

- **Health leadership:** How managers and senior managers communicate and promote health management principles.

- **Health organization:** Policies and procedures, records and auditing.
- **Health hazards and exposure control:** Information, instruction and training, workplace health hazards and risks to health, control of chemical exposure, first aid and initial treatment, emergency response.
- **Health exposure monitoring:** Exposure monitoring and health surveillance.
- **Health and business performance:** Wellness support programs, absence case management and rehabilitation program, health promotion and education.

Following the assessment, sites are allocated a score on a scale of A to D: A ‘Advanced’, B ‘Best Practice’, C ‘Controlling’ and D ‘Developing’. In 2017, we are pleased to report that all our manufacturing facilities reached ‘Controlling level’, with many sites demonstrating ‘Advanced’ or ‘Best practice’ levels across a range of areas.

Promoting Healthy Lifestyles

A range of initiatives were undertaken in 2017 to help promote healthy lifestyles both within and outside the work environment. Some of the highlights included:

- Employees at our sites in High Point and Salisbury, NC, US, took part in their ‘Walk at Work’ program that rewards those who walk twice a week at work during a three-week period in May. In 2017, our Salisbury facility was also proud to be the title sponsor of the local 5k sunset walk that also saw seven employees taking part. The event helped raise just over \$6,000 for local charity The United Way of Rowan County.
- Our facility at Leuna in Germany introduced a new bonus card system to motivate employees to participate in a variety of health-related activities that the site provides throughout the year. A €60 bonus was awarded to any employees who participated in 85% of the activities to spend on tickets for sports events, sportswear or spa treatments. In July, 15 Leuna employees took part in a team-building triathlon around the Lake Hasse, Rossbach in Germany. Innospec employees and family members also participated in the Merseburg

Charity Lions club run with Innospec making a donation for every lap of the lake completed, raising €458.

- Our Ellesmere Port, UK site co-sponsored the 2017 Essar Cheshire half marathon and entered a team of 12 runners who joined 5,800 others to run over 13 miles. The marathon event raised over £600,000 in total for charities and good causes.
- Between September and November 2017, 12 employees from our Midland, TX, US site took part in a 12-week health challenge to see who could lose the most weight through healthy eating and exercise.

Employees have been offered support, training and advice across a range of health-related areas including:

- Annual employee health checks and health insurance.
- Fruit stations and regular salad days to promote healthy eating.
- Newsletters and information campaigns.
- Basic life support and defibrillator training.



PRODUCT SAFETY AND CONSUMER WELLBEING



Material Issue

Our ongoing stewardship program ensures that our products are responsibly managed and controlled throughout their lifecycle. We carefully review each stage from design and manufacture through to distribution, use and disposal. Our program is delivered by a network of regulatory and safety, health and environmental teams. The teams consist of experts who monitor, interpret and apply relevant statutory requirements and voluntary undertakings to our products and activities.

In 2017, the acquisition of the surfactants business brought 3,000 new ingredients, 250 new products and 500 intermediate products into our portfolio. The team ensured all compliance and environmental information was added to our system, with the associated safety data sheets (SDS) created in the required 43 languages for all new products.

In addition, the regulatory team have been finalizing submissions for European Union (EU) regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH). The regulation was introduced in 2007 and requires that industry submit a registration for all new and existing substances manufactured or imported into the EU in quantities of one tonne or more per year by the end of May 2018. We have collaborated on the response to REACH through our membership of Technical Associations, REACH Consortia, Substance Information Exchange Forums and the European Chemical Industry Council (Cefic) to ensure our compliance to REACH. We have submitted registration dossiers where required to ensure all our products that continue to be manufactured, imported and placed on the EU market beyond May 2018 are REACH compliant. Going forward we will continue to respond to all European Chemicals Agency (ECHA) to maintain REACH compliance.

The team also achieved the US FDA food contact approval for the use of an anti-static product in the manufacture of polyethylene and polypropylene film. The stringent approval process took four years and a significant amount of data and testing. Approval of the

additive results in a much more efficient production process by preventing static build-up thereby preventing reactor fouling from the plastic materials.

Improving Efficiency and Customer Service

Providing adequate information to the users of our products is central to our stewardship activities. We provide customers with additional technical information on product safety and environmental impact beyond the regulatory requirement of an SDS. This helps users to understand more about the manufacture and testing of our chemicals.

Our approach is supported by the use of Intelligent Authoring®, an expert software system supplied by Sphera that provides a global regulatory information management system for our products. The system supports a number of aspects of our product stewardship, including: creation of an SDS in multiple languages, label creation, national inventory compliance and classification conformity for all the products that we sell.

We continued to roll out ComplyPlus, the new web-based integrated SDS management system that allows the storage, retrieval and archiving of SDS documents globally for all businesses in one location. In addition, we are now rolling out new software, DISC, which automatically sends customers an updated SDS if any changes are made to the document. The new approach replaces a manual system, increasing efficiency for the business and making it easier to ensure that the customer has the most up-to-date safety information on the product.

PRODUCT STEWARDSHIP



Material Issue

Our regulatory experts collaborate with their peers and industry bodies to give advice and respond to any sustainability issues that arise in relation to our products.

An example of this is the work done with the UK Cosmetics, Toiletry and Personal Care Association (CTPA), an affiliate of Cosmetics Europe, the personal care industry association for Europe. As part of this group, we help and advise on issues that come up for the cosmetic industry in the UK and the EU. Innospec was involved with the industry decision to target the removal of cyclosiloxanes from cosmetics that are washed off during use. The industry acted on the grounds of good product stewardship before being required to do so by the authorities.



We are a long-term participant in Responsible Care®, the chemical industry’s global initiative to drive continuous improvement in health, safety and environmental performance. Innospec are a signatory to the International Council of Chemical Association’s (ICCA) Responsible Care® Global Charter. We have also been a member of the UK Responsible Care® program since it started 28 years ago. In June 2017, our Innospec Fuel Specialties LLC operations were successfully recertified for their Responsible Care® management system certification, which they have held since 2007.



Employees

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.

At the end of 2017, we employed just over 1,900 people worldwide. It is their skills, commitment and enthusiasm that delivers our corporate and shareholder growth. We work hard to ensure Innospec is an attractive career choice for both new recruits and long-term employees.

As a company, we are proud of our very high level of staff retention, with 40% and 54% of employees having a length of service greater than 10 years and 5 years respectively. This, alongside an established senior

management team, supports our business culture built around strong relationships that benefits both employees and our customers.

To help develop a sustainable workforce in the future, we offer opportunities to young people in the form of apprenticeships, trainee programs and work experience at a number of our locations. We provide participants with tailored programs that offer comprehensive practical training and experience.

DEVELOPMENT AND TRAINING



Material Issue

We offer both internal and external training to support the continued development of our employees and to meet the needs of our business.

Where required, we develop specific, bespoke training at group level. During 2016, we launched a new two-stage program entitled ‘Managing Others’ delivered regionally in the US and Europe. Designed to improve management and leadership skills, the training is aimed at employees who may be new to managing teams and want to develop their skills in this area. In November 2017, the US employees completed their second part of the program, with nine out of the original 13 participants attending the two-day course in Denver, CO, US.

Our succession planning has been developed to ensure that we are preparing the future leaders of the company. As part of this plan, in 2017, senior level development roles have been created to ensure employees gain experience that will support their progression into leadership positions.

Sharesave Program

Our second Sharesave Program came to maturity for US employees in 2016 and 2017 for other employees. The program invited all employees, regardless of global location, to participate enabling them to share in the success of the company. Initiated in 2014, 58% of employees decided to take part, saving a set amount each month over two (US employees) or three (all other employees) years. At the end of the Program, employees can choose to either receive back the money saved or use it to buy Innospec stock at a discounted price. When the last employees’ options vested in 2017, the share price had risen over 200% from the original discounted purchase price.

SUPPORTING A SUSTAINABLE WORKFORCE

Creating Chemistry Career Pathways



Our Trainee Laboratory Technician program aims to encourage young people to pursue a career in chemistry and provides a sustainable source of in-house trained and qualified employees for the Innospec R&T Group.

The program was initiated by the Corporate R&T Center at Ellesmere Port, UK and supports trainees to work towards a BTEC Higher National Diploma (HND) in Applied Chemistry at a local college on a day-release basis.

The program was launched in 2017 with three initial trainees, all of whom are allocated an experienced mentor and receive practical training. Once they have completed their HND qualification, they will be further supported through a chemistry degree course at a local university. At the end of the program, the trainees will have a chemistry degree and five years' practical work experience in an analytical laboratory. Plans are in place to recruit further trainees in 2018.

Supporting Engineers: from Intern to Master

At our Leuna site in Germany, we are pleased to have supported one of our 2010 chemical engineering interns, Paul Weihs, through to a Master's degree.

Paul transitioned from intern to apprentice, then went on to complete his chemical engineering degree in 2016. We congratulate Paul on his achievements to date and in 2017 continued to support him on his journey to becoming a Master of Chemical Engineering.

“Being firmly rooted in the work environment ensures that I focus on practical real issues. My colleagues have been really supportive through my studies and have given me opportunities to apply my training and to solve challenges.”

Paul Weihs,
Chemical Engineer, Leuna, Germany

Site Student Programs

We run University Student Placement Programs at a number of our locations. Our Ellesmere Port, UK site program has been running since 2005 with 11 students joining us in 2017 for a year placement as part of their degree courses. Students participate in a number of functions including finance, research & technology and engineering.

The program has proved valuable to students with a year in industry helping to improve their skills,

knowledge and employability. We have had the pleasure of offering some students a permanent position at Innospec following their graduation. Our facility at Leuna in Germany also offers a range of internships ranging from one week to a year. In 2017, we took on 17 interns and seven graduates, who worked in a number of areas including maintenance, laboratories, sales, accounting, warehousing and distribution. Many interns have been able to progress to full-time employment at Innospec.

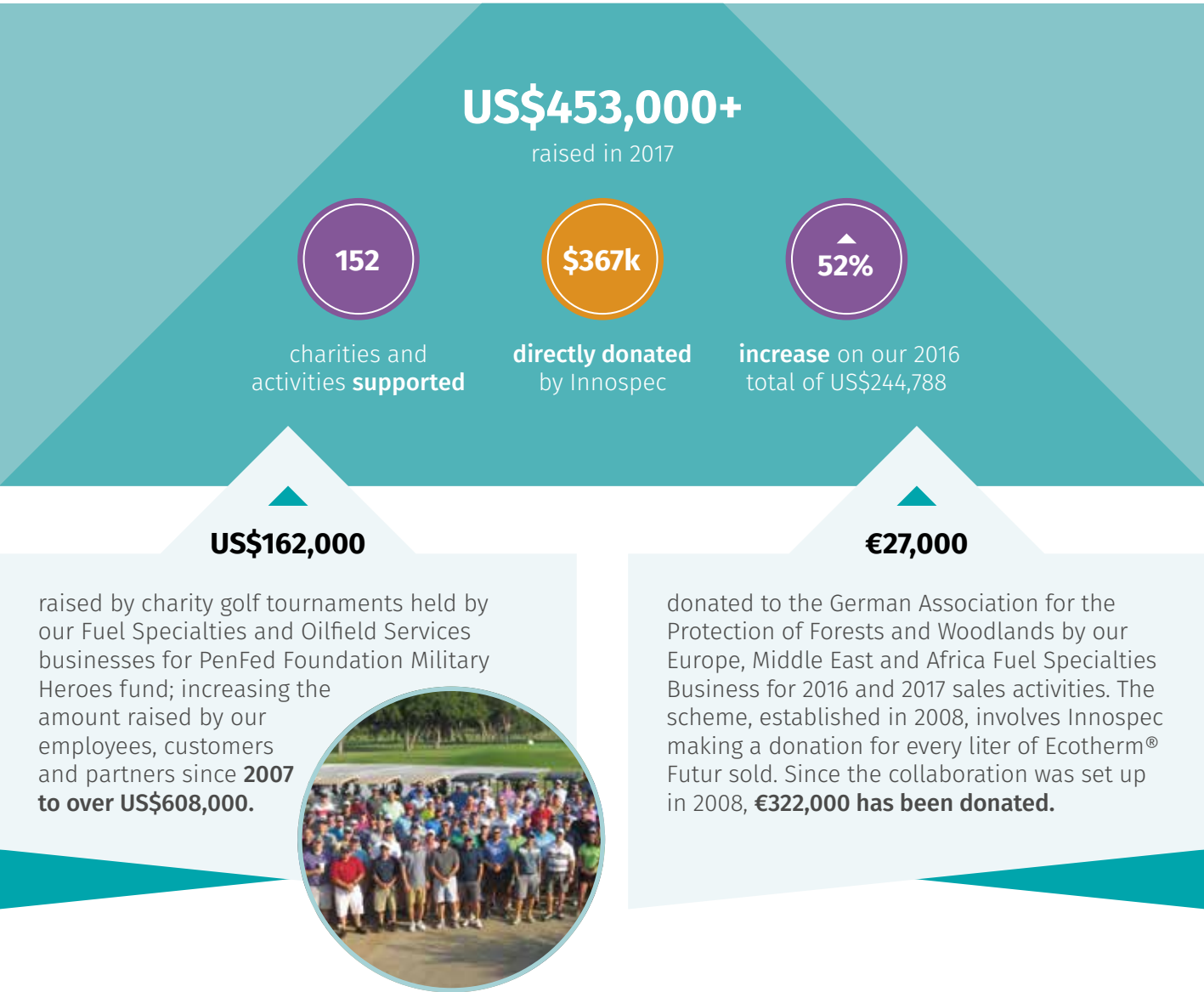
FOCUS AREA:

Community Engagement

Material Issue

Supporting local communities through education, fundraising and sponsorship opportunities.

We understand the important role of our business around the social and economic development of the communities where we are based. Supporting our employees to participate in community activities is a core business value and an important part of our responsible business strategy. As a global company, we take pride in our local approach with the communities surrounding our sites. Our employees participate in a substantial amount of community and fundraising activities throughout the year and Innospec is proud to provide this support.



SUPPORTING SCHOOLS AND EDUCATION

Many of our sites support their local schools by giving educational and career talks, raising money, or by giving a helping hand to upgrade facilities.

Some of our 2017 activities include:

- Our Personal Care technical team based at Ellesmere Port in the UK took time out to inspire 81 students during the ‘Chemistry at Work Week’, held at the Catalyst Science Discovery Center in Widnes in the UK. The team developed a ‘Showering with Surfactants’ workshop for the museum’s education program targeted at children aged 7 to 11. The group also took part in ‘Science in Industry’ day for 48 children, aged 13 to 14, at the local Whitby High School in Ellesmere Port.
- At Castiglione, Italy, the site provided five students from the local high school with three weeks’ work experience in their laboratory, working on analytical techniques for surfactant detection.
- Our High Point, NC, US facility supported the local Fairview Elementary School by organizing a school supply drive where employees donated stationery and equipment to give to pupils from disadvantaged families.
- Our Vernon, France, site sponsored the ‘4L trophy’ humanitarian rally event. The event sees over 2,000 students, aged between 18 and 28, take part in a rally, driving Renault 4 cars across Morocco raising money to provide children with school supplies and access to education.

Salisbury Site Adopts North Rowan Elementary School

Our Salisbury, NC, US team have formed a strong partnership with the local Elementary School that has 95% of pupils at poverty level.

In 2017, our employees volunteered at the school as part of the Rowan County United Way ‘Day of Caring’. The event encourages volunteers from companies within the community to come together to complete projects for local schools and non-profit agencies. Salisbury employees helped improve the appearance of the school by painting doors and walls.

In addition, the team initiated a fundraiser that helped 80 fifth graders visit the mountains. Employees from the Salisbury site raised over US\$10,000 to support their students’ education.

“For the majority of students, the trip was an entirely new life changing experience as many had never been to the mountains before. The trip, paid for by a donation from Innospec in Salisbury, is the first of its kind for North Rowan Elementary and we are determined that it won’t be the last. It is my goal that every student has the opportunity to visit the mountains and the coast by the time they move to middle school. Our aim is to broaden the students’ horizons to see that the world is bigger than their backyard. We want to say a big thank you to Innospec and its employees for making this possible.”

Katherine Bryant
North Rowan Elementary Principal

SUPPORTING LOCAL COMMUNITIES

Many of our employees are active in their local communities, often providing support and opportunities to some of the most vulnerable members. For example, in 2017:

- Employees at our Pencader Laboratory in Newark, DE, US hosted their first soup kitchen in December. Five teams rotated to provide a four-shift meal service at the local church, ensuring a steady supply of hearty food for those who are struggling.
- Our Vernon site in France helped create employment opportunities for local people with disabilities, through the engagement of Blanchisserie A.P.E.E.R, a workwear laundry cleaning company based near the facility. Employees also collected plastic bottles to help fund food for a local association ‘Le panier solidaire Marcellos’, who provide free meals to those suffering from poverty.
- Our manufacturing site in Herne, Germany, has engaged WeWoLe (Workshop for the Disabled) since 1999 to carry out grounds maintenance and since 2002, for the laundry of workwear. The organization employs physically or mentally handicapped persons, giving them an opportunity to work in the local area.

- At Leuna, Germany, the site donated €2,000 to ‘Ambulantes Kinder- und Jugendhospiz Halle’ a local children’s hospice to which they donate annually at Christmas time.
- Castiglione, Italy, continued their long-standing support of local charity Casa del Sole onlus, through a donation of €2,000. The charity offers medical assistance and educational services to children with psycho-physical and relational issues.

Barcelona Celebrates 60 Years

A plaque was unveiled at our Barcelona site to commemorate its 60-year anniversary of operation in December. The site celebrated by inviting 160 employees and family members to a commemorative event, which included a site tour, lunch at a local restaurant and lots of family activities including games, music, dancing and even a visit from Santa Claus.





2017 has been another great year for Innospec Cares. A record number of people decided to get involved in the second year of our charity funding program, with a 72% increase in applications on 2016. We approved 97 applications with an almost even split between those requesting match funding support for employee fundraising and those for direct giving donations. 2017 saw an increase in the number of match funding applications, which recognizes employees' efforts by donating US\$2 for every US\$1 raised. This resulted in US\$108,000 match funding of the US\$54,000 raised by employees.

US\$185,604 Raised

97 Applications Approved

25 Participating Sites

88 Charities Supported



Förderkreis Klosterbauhütte Merseburg e.V.: The donation will go towards roof repairs, preserving our wonderful old building for future generations.

“I’m very proud to work for a company that supports social and care activities in the community. I really like to work in the Klosterbauhütte, thank-you for such uncomplicated support.” - Leuna employee, Germany



Mittelstädt Elementary School – Klein ISD: The donation helped six

students travel to the global ‘Destination Imagination’ competition in Tennessee. Half our school’s population is economically disadvantaged and could not afford the trip.

“Thanks again for your efforts in getting this request organized at such short notice. The Innospec Cares committee has helped a talented group of students get to an event that could have a significant impact on their lives.” - Woodlands employee, TX, US



Aremig: The donation will help establish a new toy and games room for very sick children. Such generosity is greatly appreciated. Thanks to companies like Innospec, life

for children who are hospitalized for several weeks is made a little easier.

Club Rainbow (Singapore)



The Right Step, Inc: The donation will support a six-month scholarship for a disabled person that would not be able to afford the therapeutic riding lessons.



Rowan County Pregnancy Support Center: The donation will help deliver maternal and infant health initiatives to those facing difficult or unexpected pregnancies.

“The Center is very close to both my and my family’s hearts and it means so much to have my employer match what I do for them. I thank Innospec Cares very much. You are an awesome organization and I am glad to be part of it.” - Salisbury employee, NC, US

“This money will allow Aremig to turn a medical waiting room into a more comfortable environment for kids. Many thanks for this support.” - Vernon employee, France

“I support The Right Step, Inc because of the impact I’ve seen it have. Seeing the joy students get from interacting with their horse and being able to help them progress is a great experience. Thank you Innospec for helping.” - Littleton employee, CO, US



SI Sorores Optimae Club Gelsenkirchen e.V.: The donation will go towards the ‘Christmas gift bags’ campaign for all the residents at a women’s shelter. The bags include useful items like toiletries and some luxuries like sweets and toys for the children.

“It makes me proud to be part of a company that is willing to share some of its wealth with those less fortunate. Thanks for the opportunity to deliver some kindness to those who need it” - Herne employee, Germany



Innospec Cares



Just4Children: The donation helped sick and disabled children to receive surgery, treatment and therapy not available on the NHS.

“Thank you so much for approving and organizing this donation. We are still overwhelmed by this support from Innospec. It means so much to those helped by Just4children. But it also means a lot to me to support our community in this way.”
- Ellesmere Port employee, UK



Cleft Lip & Palate Association (CLAPA): The donation helped fund four places on a 'Happy Faces' volunteer training day.

The Happy Faces team helps groups and provide opportunities for young children to meet, share experiences and offer each other vital support.

Helping People Affected by Hurricane Harvey

Many of our Oilfield employees, suppliers and customers live and work in the area that suffered devastating impacts from Hurricane Harvey. Our employees moved quickly to offer support for those affected, with six of our sites around the world raising a total of just under \$7,000. The money raised was matched by the Innospec Cares program, bringing the total raised to over \$20,000.

Money was donated to the American Red Cross, who were responsible for coordinating much of the emergency response. In addition, money was donated to Society of St Vincent de Paul who provided short-term financial, material and emotional support to those in need.



Cystic Fibrosis Foundation: The donation will be used to support the mission to cure Cystic Fibrosis and provide the 30,000 people with the disease the opportunity to lead full, productive lives.

“It is an honor to work for a global company that truly cares about giving back to the community. Cystic Fibrosis is an illness that I hold close to my heart. Two family members struggle with it every day.” - Chatsworth employee, CA, US



Associazione Volontari San Cristoforo ONLUS: The donation has supported the insurance cover for a group of local volunteers that transport those in need to hospitals and educational institutions based inside or outside the region.

“Thank-you Innospec Cares for giving us the opportunity to make a difference.” - Castiglione employee, Italy



Club Rainbow (Singapore): The donation will help to continue to offer support to children with chronic and life-threatening illnesses and their families.

“I was pleasantly surprised to learn about the Innospec Cares program and that I could submit an application to help children in their fight against chronic illness. This support means they will not lose out on the chance to live their life just because they cannot afford expensive medical services and supplies.”
- Singapore employee



World Vision: Thank you for being our top fundraiser for 2017. This donation will be used towards our campaign

‘Ending Violence Against Children’. We are working to ensure that our sponsored children are healthy, literate and loved.

“I think the Innospec Cares program is remarkable, even more so this year with the doubling of contribution. The prospect of being able to enhance what I collect in this way has spurred me on.”
- Ellesmere Port employee, UK



Environment

CONSERVING AND PROTECTING

Monitoring and measuring the impact we have on the environment has been a long-standing core element of our sustainability strategy. We are committed to using resources as efficiently as possible and to minimizing the impact of our operations on the environment. We continuously review advancing technologies and processes so that we can actively

seek out opportunities to improve our performance. We also look to improve the sustainability of our products and help our clients respond to environmental challenges through innovation and improved product performance.

FOCUS AREA:



Minimize Impact

Seeking to understand and reduce the impact of our activities, while developing innovative solutions to help protect the environment.

In this section, we report our impact across four key areas: Greenhouse Gas (GHG) emissions, energy use, water use and hazardous waste. We track our environmental performance both year on year and against our 2006 baseline year. Following the acquisition or divestment of facilities, it is established practice to reset the baseline year data. The new figures are calculated by adding or removing any contributions made from the acquired or divested activities respectively from the baseline year

onwards. At the end of 2016, we acquired three new facilities and have incorporated their environmental data from 2006 to 2017 into our report. The new data has led to a change in the overall trends previously reported. Although Innospec had no influence over the newly acquired sites' performance between 2006 to 2016, analysis of the data in this way gives an accurate understanding of the environmental footprint of our growing company and helps us identify areas for improvement.

ENERGY USE AND GREENHOUSE GAS EMISSIONS



Material Issues

- We understand the important contribution that businesses can make towards reducing global GHG emissions.** Our climate change position statement, published in 2015 and available on our website, sets out our commitment to reducing GHG emissions. Since we started monitoring our energy use and emissions against our 2006 baseline year, our energy and carbon reduction has been significant. In 2017, we have delivered a range of activities and investments to further increase our energy efficiency and reduce our GHG emissions.
- A new 635 kW combined heat and power (CHP) plant was installed at the St Mihiel, France, site and is due to be commissioned in 2018. The plant will be managed by the site’s steam and gas supplier, Cofey, with estimated savings of 92,000 m³ of gas and 221 metric tonnes of GHG each month.
 - Our Ellesmere Port, UK, site continued to improve its electrical infrastructure. A substation was upgraded saving 23 MWh with work underway to upgrade a second substation. In the process, the electrical metering system was improved, giving a greater level of accuracy to a lower distribution level. The site also continued to increase its LED lighting with 27 floodlights installed at a warehouse, replacing 42 150w Mercury Vapor fittings, saving 44 MWh per year.
 - Herne, Germany, extended their condensate recovery system to include a new reactor that is heated by steam, saving 6.2 metric tonnes of light heating oil and 641 m³ of water each year.
 - Vernon, France, installed a new gas boiler, heating system and LED lighting in the main administration building. In addition, the site’s energy reduction campaign has reduced electricity consumption by 19% in production offices, 17% in the administration building and 24% in production areas.

In 2017, we reduced the energy intensity of production (GJ consumption per metric tonne of product) by 12% compared to 2016 and by 20% against our baseline year in 2006. This reduction in intensity is also reflected in our scope 1 and 2 emissions per metric tonne of product that have reduced by 14% since 2016 and 31% since 2006. Alongside more efficient use of energy, we have also reduced our absolute emissions by 6% since 2016 and 22% since 2006.

Carbon Offsetting

Herne, Germany, became a carbon neutral site in 2017. The site commissioned an external consultancy to conduct an energy survey on site so that it could calculate the amount of GHG it generated. Following the survey, the site purchased 11,000 carbon certificates to offset the 2017 and 2018 energy usage. The purchase of these certificates supported two climate protection projects involving hydropower in Uganda and wind turbines in India.

For the fourth consecutive year, our Vernon site in France has offset its GHG emissions based on its 2017 energy consumption. The site partnered once again with local organization “Forest for Life”, supporting the planting of 240 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 creation of local jobs.

Energy Reduction

Recognizing that most of the obvious improvements have now been achieved, a dedicated Energy Reduction Fund is allocated every year for capital equipment investment projects where the payback period is accepted as being longer than would normally be required.

The fund is administered by the global Energy Reduction Group (ERG) that was established in October 2016 and is led by corporate engineering. During 2017, the Group invested in a number of projects that included:

- **Insulation of four tanks (phase 2 of a 2016 project) with an estimated GHG saving of 216 metric tonnes per annum at our Herne, Germany site.**
- **Installation of water and gas meters at High Point, NC, US, site to enable accurate measurement of energy use so that a baseline can be established.**
- **A new economizer for steam boilers at Ellesmere Port, UK site with anticipated annual savings of 2,368 MW of gas and 436 metric tonnes of GHGs.**
- **A review of the insulation of all steam valves and flanges at our St Mihiel facility in France identified an estimated 2,500 areas for potential steam saving improvements.**
- **Launch of an electricity consumption reduction campaign at our plant in Vernon, France, that included posters and awareness training.**
- **General resource awareness training, including energy and water conservation, also took place at our Highpoint, NC, US, and Ellesmere Port, UK, facilities.**



HAZARDOUS WASTE

Overall, we reduced our global hazardous waste generation per tonne of product by 3.2% in 2017. However, we report a 41% increase compared to our 2006 baseline figure. This increase is largely due to the influence of the newly acquired sites' performance on our baseline data. The decrease from 2017 compared to 2016 shows the beginnings of our influence on their performance and offsets a slight increase, due to changes in product mix, in other areas. Our waste reduction activities in 2017 include:

- Our Vernon, France, site continued their year-on-year efforts to reduce waste, recording an 11% reduction of waste sludge from the iron soap process following improvements during the phase separation stage.
- Changes to the OMA 500 S production process at our Herne, Germany, site enabled the solvent used to be recovered rather than sent for off-site disposal. The changes save an estimated 940 metric tonnes of solvent per year and reduced the amount of virgin solvent required. The changes also reduced water use by 66%.
- Our Leuna, Germany, site found an alternative commercial outlet for oversized Viscowax grain and dust, reducing the amount of non-hazardous waste sent for off-site disposal by 67 metric tonnes.

VERIFIED PERFORMANCE

We participated in the CDP (formerly the Carbon Disclosure Project) Supply Chain Disclosure Program again in 2017. 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. Using the more stringent methodology and scoring framework introduced in 2017 by CDP, we achieved a performance band score of C: Awareness that compares favorably with the CDP program average and industry activity group average of D: Disclosure.

We also achieved a positive and improved rating of B- in the Supplier Engagement Rating (SER) assessment, again comparing very favorably with the CDP program average and region / country



average score of D. This assessment aims to highlight active supplier engagement strategies and successful supply chain management and minimize environmental impacts within the value chain. This rating enables companies to gain a better understanding of how they measure up to peers in terms of managing supply chain emissions.

We also participate in the EcoVadis supply chain sustainability platform to independently evaluate our environmental, labor and fair business practices. Our last assessment took place in 2016 where we were awarded the EcoVadis Silver status for the second time. Our next assessment is due to take place in 2018.

WATER

Through our stakeholder engagement, we understand that water management is important for a number of our stakeholders and we recognize the importance of using water responsibly and reducing waste. Although our production facilities that use water in the process are not located in water constrained areas, we ensure that we use this valuable resource as carefully and efficiently as possible. Examples of water saving activities in 2017 include:

- A new efficient process water cooling system at Leuna, Germany, delivered savings of almost 2,000 m³ per month following its installation in September 2017. Based on this performance, we forecast water savings as a result of the new equipment of approximately 19,000 m³ for 2018.
- A new closed water cooling circuit for two stripper vessels at St Mihiel, France, is forecast to save over 70,000 m³ of water a year.

- Vernon, France, reduced water used in the magnesium soap process by 23% after bringing together operational personnel in a working group to address a spike in consumption over the summer period. The group identified potential water saving measures, including the replacement of ageing equipment and operator refresher training on water conservation.

In 2017, our total water consumption reduced by 9% compared to 2016, with a reduction of 17% when measured as per metric tonne of product. We are now using 53% less water per metric tonne of product in our manufacturing process than we did in the 2006 baseline year.



FOCUS AREA:

Product Sustainability

Supplying safe, sustainable products, designed to meet the needs of society now and in the future, while minimizing their environmental impact.

Every year, we look to introduce new sustainable products into the markets where we operate. In 2017, our Fuel Specialties products Octamar™ and EcoAdditive® were both proven to reduce emissions and improve air quality.

Octamar™ Complete Helps Reduce Particulate Matter from Fuel Combustion	Ecoclean® Additive Approved for “Top Tier™” Standard
Octamar™ Complete has been specifically developed for residual fuel grades used in the marine industry, to deliver optimum fuel performance through handling, combustion and exhaust. In 2017, the product was tested for its ability to improve specific fuel oil consumption (SFOC), stability and emissions. Dramatic improvements in ignition and combustion, stability reserve and particulate emissions were all verified using industry approved methodology. The results show an average SFOC reduction of 1.6% across the load range, while a maximum reduction of 2.2% was observed at half load. In addition, it was found that there was an improvement across ignition and combustion profile and up to 60% reduction in particulate matter.	Innospec first introduced Ecoclean® to the US market in 2006 to address the unique issues associated with the combination of modern high pressure common rail diesel engines and the challenges of ultra-low sulfur diesel. The product is already used in the treatment of billions of gallons of diesel each year and has now been approved as a TOP TIER™ diesel additive. The TOP TIER™ diesel standard has been developed by a group of Original Equipment Manufacturers in close coordination with the Center for Quality Assurance. The standard aims to improve diesel fuel performance, quality and cleanliness. Ultimately, improved standards help boost performance, reduce emissions, improve efficiency and air quality.



INNOSPEC AND PALM OIL

Material Issue



At Innospec, we use palm oil and palm kernel oil derivatives in a number of our products, for example within the Iselux®, Pureact, Empicol®, Empigen® and Empilan® ranges. We recognize that the rapid growth in demand for palm-based raw materials has led to an increase in the number and size of palm plantations, which has adverse environmental and social consequences.

We have been a member of the RSPO (Roundtable on Sustainable Palm Oil) since 2013. As a socially responsible company, we are committed at board level to the responsible sourcing of palm-based raw materials. To achieve this commitment, all our applicable manufacturing sites are RSPO mass balance (MB) supply chain certified and as such we are able to offer our customers RSPO MB versions of our products on request.

We encourage our suppliers to be RSPO MB supply chain certified and work with them to ensure palm-based materials are from sustainable sources that:

- Exclude the conversion or deforestation of areas of high conservation value or high carbon stock.
- Reduce the impact on the environment.
- Utilize responsible agronomic practice.
- Protect the rights of workers and local communities.

In 2017, we reviewed the options available to enable us to increase the transparency of palm-based materials within our supply chain. Following this review, we engaged Transitions, an independent Third Party specializing in sustainable sourcing, to help support us with our traceability program.

In 2018, we will research and map the origins of palm-based materials and players in our supply chain using a methodology that is endorsed by a number of external stakeholders, rating agencies and coalitions. Increasing the transparency of our supply chain will enable us to

highlight any differences and potential opportunities for improvement between our commitments and those of our suppliers. The program will help us to develop a roadmap towards a deforestation-free and responsible sourcing of palm-based raw materials.

We understand the importance of our role in the education and promotion of the responsible sourcing of palm-based materials with our suppliers, distributors and customers. In 2017, we provided our global distributors with training and guidance on the RSPO certification process and its requirements, encouraging them to become members of RSPO and promoting the sale of our RSPO MB certified products. Our Sustainable Sourcing of Palm Oil and Palm Kernel Oil Policy is available on our website at www.innospecinc.com/sustainablesourcing. The policy defines the steps we are taking to work towards ensuring that our products are produced only from sustainable palm sources. Innospec believes this is the right course of action for our customers, the environment and our future. Check our progress at www.rspo.org

“ It has been really encouraging to see the increase in customer demand and interest in products containing sustainably sourced palm oil derivatives in 2017. As awareness of the issues associated with palm oil continues to grow, public demand and supply chain specifications are driving the industry to do more. Our traceability program represents the next stage in our journey towards ensuring that our products are produced only from sustainable palm.”

Simon Moons,
Group Sustainable Development Coordinator

Governance

LEADING BY EXAMPLE

At Innospec, we have established a clear and effective governance structure to ensure that we uphold a high standard of corporate and business integrity across all our activities. Our team of highly experienced legal and compliance experts advise on a wide range of issues, from anti-corruption measures to cyber security. We also have a team of external advisors that provide support on specific issues and enhanced due diligence matters.

Transparent and Honest

A number of our key corporate governance policies are publicly available online at: innospec.com/aboutus/corporate-governance

FOCUS AREA:

Legal Compliance



Material Issues

We understand that honest, ethical and transparent conduct is vital to our success and reputation. Every employee plays an essential part in complying with local and national laws, rules and regulations.

As a responsible business, we take compliance very seriously. It is non-negotiable and we have developed robust systems and procedures to ensure that our employees, Third Parties (including agents, distributors and consultants), suppliers and other stakeholders behave legally, responsibly and ethically.

Our enhanced legal compliance program has been in full operation since 2008. To ensure the efficiency and responsiveness of our policies, we agreed a revised Compliance Policy Review Schedule in November 2017. The schedule sets out that every legal compliance policy will now be reviewed at least every two years unless any change in relevant law or regulation requires a revision at any other time.

During 2017, we reviewed and updated a number of legal compliance policies, including our Export Controls and Trade Sanctions Compliance Policy and our Mergers and Acquisitions, Joint Ventures and Consortia Protocol. The Board also reviewed our Nominating and Corporate Governance Committee Charter in line with SEC requirements and our annual compliance risk assessment process that was revised ahead of its approval and issue in 2018.

In 2017, to support the existing rigorous external and internal business assurance audits, our legal team also conducted a number of compliance related audits. Four audits are conducted each year with the objective of:

- **Monitoring compliance with policies and procedures, particularly in relation to anti-bribery and corruption.**
- **Assessing the related risks and making recommendations on how to further improve compliance.**
- **Mitigating any identified risks.**

The scope of these audits is determined by the nature of the business being audited and also the nature and extent of any perceived compliance risks. They generally involve the scrutiny of relevant documents and records as well as conducting interviews with key personnel. In 2017, compliance audits took place of the recently acquired European Surfactants business, the Asia Pacific business, Innospec Oilfield Services, OK, US and Innospec Hellas in Greece.

GOVERNANCE COMMITTEES AND GROUPS

Our compliance programs and performance status are reported to the Compliance Steering Group that meets every two months. The group then reports through the Nominating and Corporate Governance Committee to the Board of Directors.

The steering group comprises of our Chief Compliance Officer, Global Compliance Counsel, Head of Business Assurance and senior members of Innospec’s commercial and legal compliance teams. In 2017, we also included representatives from our newly acquired sites.

Our Governance Bodies

- **Nominating & Corporate Governance Committee** responsible for recommending to the Board: qualified individuals to serve as Board members, re-nomination of incumbent Directors, governance guidelines, committee appointments, providing leadership of corporate governance and reviewing the Board’s performance.
- **Non-Employee Directors Group** responsible for strategic agenda setting prior to the main Board meeting. It must also set the boundaries within which to challenge decision making and senior roles in the business. Additionally, it must assess the need for expertise or skills not visibly available to the business.
- **Audit Committee** provides oversight of the Board’s responsibilities relating to the integrity of the company accounting and audit practices, policies, personnel, systems, reporting and disclosures.
- **Compensation Committee** supports the Board’s responsibility in long-term strategy and shareholder interests relating to executive compensation and incentive programs for all Executive Officers, Directors and other employees. It also advises on compensation policy and structure for non-employee directors.



TRAINING



In 2017, we undertook a comprehensive review of our legal compliance training program to refresh the course content and provide alternative methods of delivery. This included the use of smart phones and tablets, so as to offer greater accessibility to the increasing number of field-based employees.

Following this review, we developed a partnership with GAN Integrity, in conjunction with Everfi, as the new provider of our compliance training program. The new partnership ensures that we can provide fresh course content in eight languages using mobile platforms, thereby allowing easier delivery of courses across our global sites. As part of this, the core Combating Bribery in Business course for both employees and Third Parties was updated and replaced with the new Global Anti-corruption and Anti-bribery course. A revised program of certifications and courses was also developed for roll out in 2018.

Core employee compliance courses

- Code of Ethics
- Global Anti-corruption and Anti-bribery
- Global Export Controls
- Fraud & Business Integrity
- Insider Trading
- Harassment
- Antitrust: Contact with Competitors
- Global Competition Principles and Practices

New employee courses in 2017

- Confidential Information: Public Places
- Antitrust: Contact with Competitors



TREATING EVERYONE WITH DIGNITY AND RESPECT



Material Issue

We firmly believe that all our people should be treated with dignity and respect. It is one of our core values and we are committed to providing a workplace environment where every employee is treated appropriately.

In November 2017, a clear statement was sent to all employees emphasizing that everyone has a right to work in an environment that is free from any form of harassment or discrimination on grounds of race, sex, religion, disability, age or sexual orientation. We encourage any employee that feels subjected to any harassment or witness to any inappropriate behavior to report it.

Whistle-blowing Procedure

A confidential whistle-blowing service is available to all employees, operated by an independent Third Party, Expolink, using local call numbers and online access. Where local laws allow, the service is also anonymous. Any reports received are investigated by a panel of senior managers, who then recommend the appropriate course of action required.



FOCUS AREA:

Managing Third Parties Responsibly



Material Issue

We manage our Third Parties to comply with legal, ethical and social requirements, while also finding opportunities for environmental improvement and economic efficiency.

THIRD PARTIES

We are committed to ensuring that all Third Parties we work with share our values and standards.

All potential customers and suppliers are screened to ensure that they are not currently on any global sanctions or debarred lists. We also undertake due diligence on our agents, distributors and certain consultants that may include the collation of data via completion of questionnaires, risk screening and interviews. The level of due diligence conducted depends on risk factors such as third-party type, territory and business division. We routinely put accounts on hold where there are any compliance related questions or concerns and only release them when the issues are resolved and will terminate contracts for compliance related reasons where necessary. In 2017, one contract was terminated by mutual agreement of the parties.

All medium and high risk Third Parties (agents, distributors and consultants) are required to complete our anti-corruption online compliance training. We requested 270 Third Parties to complete our 'Global Anti-corruption and Anti-bribery' online training course. If training is not completed within the notified timeframe, we place the Third Party on hold, meaning that no sales orders can be processed, or work commissioned.

If training is still not undertaken within a reasonable extension period set by our Legal and Compliance Department, then the relationship is terminated. In 2017, 100% of all Third Parties required to undertake online compliance certifications completed the request. No third-party accounts were terminated due to failure to complete compulsory compliance modules or certifications in 2017.

ComplianceDesktop

As part of our efforts to continue to streamline and improve efficiency, our new automated due diligence platform called ComplianceDesktop was launched in January 2017. The platform moves us away from a paper-based process to an online platform, improving the visibility, efficiency, traceability and record keeping of the process. All Third Party due diligences are now conducted via the new platform and feedback on the new process has been positive.

MANAGING PROCUREMENT RESPONSIBLY

Since 2016, we have partnered with EcoVadis, a supplier sustainability evaluation rating platform, to assess our key global suppliers. The platform enables us to assess the relative environmental, ethical and social risk of suppliers as compared with their database of over 44,200 global companies.



In 2017, we conducted a second EcoVadis campaign of supplier evaluation assessments, targeting suppliers operating in high environmental, social and governance risk countries. The aim was to ensure that suppliers in these regions were able to demonstrate

that they are managing risk well through policies, practices and performance. We reached out to just over 70 suppliers falling within this category.

Overall, our supply chain has continued to score better than the EcoVadis average. In 2018, we will reach out to those suppliers ranked as medium risk to encourage improvements in their sustainability practices and offer support where appropriate. We will also conduct a third campaign targeting existing key suppliers to our newly acquired sites and incorporate EcoVadis assessments as part of the new evaluation process of all our new suppliers whose forecast spending is above agreed thresholds.




CONFLICT MINERALS

We are committed to the responsible sourcing of materials, which includes ensuring that conflict minerals are not ‘necessary to the functionality or production’ of our products, as defined under Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Our statement on conflict minerals is published on our website and details our expectations of suppliers and customers. After

completing our annual internal review, it has been determined that conflict minerals were not necessary to the functionality or production of any products that we manufactured or contracted to manufacture for sale during 2017. Accordingly, we were not subject to the US Securities and Exchange Commission (SEC) reporting rule for the 2017 calendar year and were not required to make any public disclosures relating to conflict minerals.



Looking Forward

Social	Environment	Governance
		
Health, Safety and Wellbeing	Minimize Impact	Compliance
<ul style="list-style-type: none">▶ Zero fatalities or major injury accidents to employees or Third Parties▶ Target maintenance of a zero global LTAFR but as a minimum acceptable standard ensure that we continue to better CIA industry average▶ Journey to Zero Harm behavioral safety program rollout across all Innospec activities▶ Each region to have an effective LOC reduction program based on trend and root cause analysis▶ All manufacturing sites to have process safety improvement programs that target reaching and maintaining greater than 95% compliance with the Innospec Process Safety Standards	<ul style="list-style-type: none">▶ Develop and implement a greenhouse gas (GHG) emission program, targeting projects that will deliver, by the end of 2018, the equivalent of a 2% saving in GHG scope 1 and 2 emissions (based on 2015 baseline)▶ Review waste handling methods to maximize recycling, recovery and reuse routes and minimize the amount sent for direct disposal▶ Identify and evaluate further water reduction projects	<ul style="list-style-type: none">▶ Review and continually drive improvement across our compliance reporting ensuring that all business areas and functions are captured, reporting is timely and we develop a culture where everyone takes responsibility for compliance▶ Develop and deliver training to enhance understanding on competition and anti-trust law
Community Engagement	Product Sustainability	Third Party Management
<ul style="list-style-type: none">▶ Promote the 2018 ‘Innospec Cares’ charitable program to increase the number of employees participating and encourage match-funded applications	<ul style="list-style-type: none">▶ Increase the transparency and understanding of Innospec’s palm based raw material supply chain to identify our key geographical regions	<ul style="list-style-type: none">▶ Encourage improvements in the sustainability practices of those suppliers ranked as medium risk following their EcoVadis assessment▶ Incorporate the EcoVadis sustainability assessment into the new supplier evaluation process for suppliers above agreed spending thresholds▶ Complete the baseline EcoVadis sustainability assessments for key Innospec Performance Chemical Europe suppliers (top 20 by spend)
Employees		
<ul style="list-style-type: none">▶ All manufacturing sites to maintain at least the controlling rating on the revised CIA health metric assessment tool		

SUMMARY ASSURANCE STATEMENT 2017

Jacobs has conducted an independent assurance review of Innospec's 2017 Responsible Business Report in accordance with AccountAbility's AA1000 Assurance Standard 2008. This involved assessing Innospec's adherence to the AA1000 AccountAbility Principles 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 sustainability report.

This is the third year assurance has been undertaken in accordance with the AA1000 Standard and our approach built upon our previous reviews. In addition, at the end of December 2016, Innospec acquired the European surfactants business of Huntsman representing a major change to the Innospec business overall. Innospec's approach to managing this change throughout 2017, both generally and in relation to sustainability performance, formed a key focus of our assurance process and discussions.

Our Assurance Statement plus our recommendations for further development can be found on Innospec's Website

www.innospecinc.com.

Jacobs, Manchester, August 2018

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Further details on Innospec, our products and services can be found on our website above.

If you would like to provide feedback on any aspect of this report then please contact the Ellesmere Port site on the details above or email us at sustainability@innospecinc.com

To contact any other Innospec site, please visit the link below and click on the location of your choice.
www.innospecinc.com/get-in-touch

innospec



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