

2019 Responsible Business Report



Statement from our CEO

I am pleased to welcome you to our 2019 report that outlines our approach to running a responsible business. As an Executive Team and Board of Directors, we have been entrusted by the shareholders to manage the business in a responsible manner. We need to:

- ▶ ensure a culture of strong compliance and good governance practices.
- ▶ ensure that employees and colleagues have a safe and healthy working environment with equal opportunities for all.
- ▶ operate in a manner that ensures safe and harmonious living with our local communities and neighbors.
- ▶ continue to develop and manufacture products for customers that meet their needs while minimizing resource use and impacts on the environment.
- ▶ ensure our products improve the quality of life.
- ▶ manage a sustainable, profitable and well-governed business for our shareholders.

These are difficult and challenging requirements but they are constantly engrained in our culture.

Safety will always be our highest priority. Our mantra is “if it can’t be done safely, then it won’t be done at all.” In 2019, we continued to roll out our “Journey to Zero Harm” behavioral safety program that is pivotal to our continuing improvement and we are pleased to report a 9% decrease in accidents since 2018.

We value the contributions that all of our employees make to Innospec. Every opportunity is open to all and we strive to create a workplace where diversity is recognized and valued. We promote from within wherever possible and almost all our senior appointments in the last few years have been through the promotion of our own employees.

Innovation is a core competence of any technology-based company that develops new products to meet customer and consumer needs. I am very proud that many of our new technologies are focused on improved performance and sustainable features such as:

- ▶ reducing fuel and energy use,
- ▶ reducing pollution,
- ▶ using less water,
- ▶ using less packaging,
- ▶ reducing transport requirements, and
- ▶ using more natural raw materials.

As we continue to improve the footprint of our manufacturing, we are focused on the downstream benefits that our products can deliver to customers and society.

As a manufacturing business, we understand that our operations are sometimes located in sensitive areas and close to residential premises. In 2019, we continued to be good neighbors in these communities through local employment, educational programs, open days, community liaison meetings and fundraising activities.

Our team have delivered many exemplary projects to raise money for local and national charities. In 2019, we reached the significant milestone of raising over US\$1 million for the PenFed Foundation since we first partnered with the charity in 2007. The Foundation offers help to veterans and their families returning to life back home and is a charitable cause that I am particularly proud to support.

Our Innospec Cares global charitable program entered its fourth year. This encourages employees to raise money for causes that are close to their hearts through a further company donation of US\$2 for every US\$1 raised. In 2019, we supported 89 global charities. This year also saw the launch of our new volunteering program, which offers employees paid time away from work for charitable causes.

Within this report, we reflect on achievements in 2019. I am very proud to lead a company with a strong focus on sustainability, diversity, wellbeing and governance that continues to deliver innovative new technologies and helps our customers create better products with improved social and environmental outcomes.


PATRICK S. WILLIAMS
PRESIDENT AND
CHIEF EXECUTIVE OFFICER



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INSIDE INNOSPEC

We are a NASDAQ-listed (IOSP) global specialty chemical company that focuses on bringing new, innovative technologies to our chosen markets and customers. With approximately 2,000 employees in 24 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 operational locations in the Americas, Europe, the Middle East, Africa and Asia Pacific.

We have a diverse customer base across a wide range of markets, including fuel additives, personal care, home care, agrochemical, mining, industrial and oilfield chemicals. 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 educate ourselves 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 components in the complete range of hydrocarbon 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. Our customers are supported by our global international fuel experts and specialized technical teams.



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. Our production and midstream chemicals support flow assurance and asset integrity while helping to safeguard people and the environment. Our products aim to minimize the environmental impact by reducing the amount of resources needed for hydrocarbon extraction and transport.



PERFORMANCE CHEMICALS

We provide effective technology-based solutions for our customers focused on the personal care, home care, agrochemical, industrial, construction and metal extraction markets. We combine innovative ingredient technologies, such as surfactants, solubilizers, emollients and silicones, with formulation expertise to deliver the right blend of science and creativity.



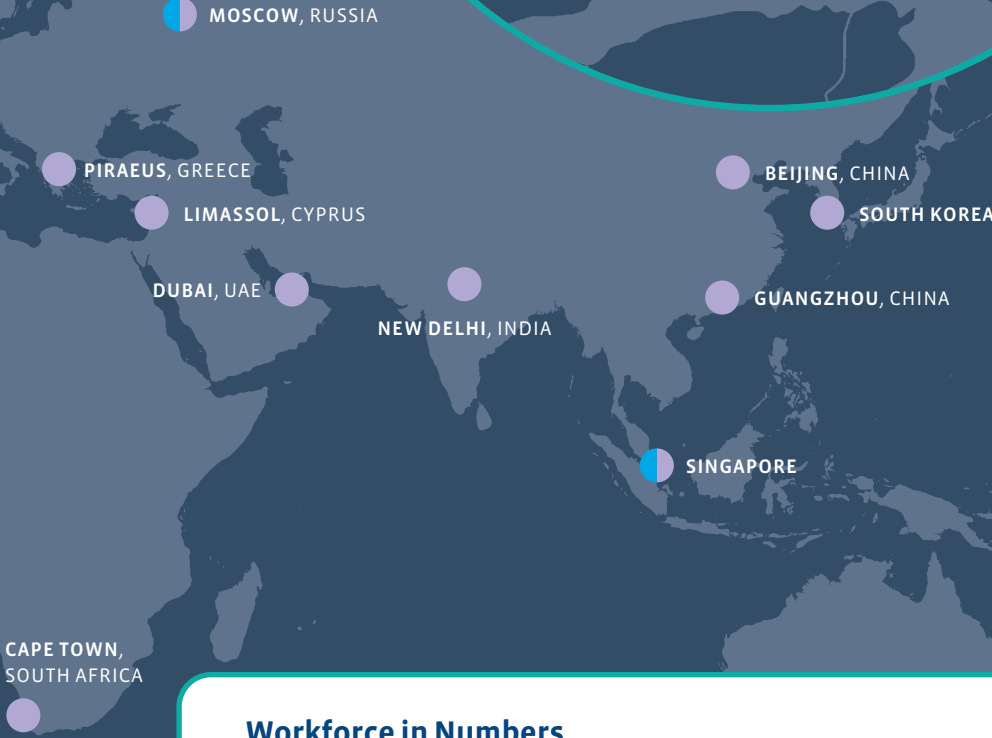
OCTANE ADDITIVES

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



- Manufacturing
- Technology Centre
- Head Office
- Offices/Sales
- Warehouse



Workforce in Numbers



Employees: **APPROX. 2,000**
EMPLOYEES IN 24 COUNTRIES



Male Employees:
1,551 (76%)



Female Employees:
494 (24%)



Female Senior Managers:
48 (29%)



Employee Service 5 Years +:
1074 (53%)



Employee Service 10 Years +:
741 (36%)

Issues That Matter Most to Our Stakeholders

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 regulations.

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 processes. Our materiality assessment, last completed in 2017, identified 17 issues that matter most to our stakeholders. We continue to use these issues to direct our approach alongside annual interim reviews to ensure we continually improve our impact across our strategic areas. Our next formal assessment will take place in 2020 to identify and understand any changes in the priorities and concerns of our stakeholders.



Working Towards the UN Sustainable Development Goals (SDGs)

In September 2015, the United Nations adopted 17 Sustainable Development Goals (SDGs) that address the world's most important economic, social and environmental challenges. Underpinning these goals are 169 associated indicators that are used to support their implementation and to monitor progress.

The SDGs are the result of years of multi-stakeholder engagement between governments, Non-Governmental Organizations (NGOs) and businesses. The private sector plays an important role in achieving the SDGs and our work contributes to several of the goals.

Following an internal review, we have identified **13 of these goals** that we can directly contribute towards. The relevant goal icons are used throughout this report to signpost our associated activities.

We will regularly review the SDGs to determine if we can increase our contribution. We will use the SDGs to help guide our 2020 materiality assessment and evolution of our sustainability strategy and agenda. We will seek to evolve our existing sustainability initiatives to ensure we maximize our contribution towards the SDGs.

SUSTAINABLE DEVELOPMENT GOALS

SDG GOALS WE CONTRIBUTE THE MOST TO:



OTHER SDGS WE CONTRIBUTE TO:



Engaging with our stakeholders

Our stakeholder groups and our engagement with them are detailed below.

INVESTORS

Providing clear, transparent information to our investors demonstrates that we are managing a profitable responsible business.

- 2017 Materiality exercise
- Quarterly briefings
- Proxy Statement
- Regular Reporting
- Dedicated investor section on the website
- Direct and regular investor updates

CUSTOMERS

Identifying customers' current and future needs helps us to understand where we can add value. This builds on our reputation and helps us to continue to grow.

- 2017 Materiality exercise
- Questionnaires
- Face-to-face meetings
- Online (teleconferences and website)
- Collaborating on sustainability programs including the Roundtable on Sustainable Palm Oil (RSPO), Action for Sustainable Derivatives (ASD) initiative (see pages 68), CDP (see page 52) and EcoVadis (see page 52)
- Technical support services

SUPPLY CHAIN PARTNERS

Working closely with our supply chain partners enables us 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.

- 2017 Materiality exercise
- Supplier evaluation process
- Procurement and contract management processes
- Supplier site audits
- EcoVadis (see page 69)

EMPLOYEES

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.

- 2017 Materiality exercise
- Ethics and compliance hotline
- Direct communications (email, CEO Question and Answer sessions and team meetings)
- Annual appraisals
- Safety, Health and Environment (SHE) Best Practice Group
- Energy Reduction Group
- Sustainable Development Network
- Intranet
- Training and development
- Local Communicator Network

COMMUNITY MEMBERS

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 the community and employee motivation.

- Local employment opportunities
- Work placements
- Graduate programs
- Lectures and demonstrations at local education providers
- Community liaison meetings
- Manufacturing site open days
- Participation in local forums
- Safety action notices
- Innospec Cares Program (see page 45)
- Additional donations and sponsorship activities

GOVERNANCE & REGULATORY

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.

- 2017 Materiality exercise
- Participating in consultations, policy forums and advisory groups
- Trade associations including: CIA (Chemicals Industry Association), American Chemistry Council (ACC) and European Chemical Industry Council (CEFIC)

NON-GOVERNMENT ORGANIZATIONS (NGOS), SUSTAINABILITY ORGANIZATIONS AND ADVISORS

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.

- Membership of business and industry associations including RSPO, Action for Sustainable Derivatives and Trade Association Sustainability Networks
- Participation in CDP Climate and Water assessments
- Chairing of industry focus groups

Our Strategic Approach to Sustainability

 ECONOMIC	 SOCIAL	 ENVIRONMENT	 GOVERNANCE
VALUE Responsible Growth	VALUE Caring for People	VALUE Conserving & Protecting	VALUE Leading by Example
FOCUS AREAS FINANCIAL PERFORMANCE Generating economic benefits for our employees, shareholders and local communities. INNOVATION Encouraging ongoing innovation in product development and application to keep our businesses competitive and sustainable.	FOCUS AREAS HEALTH, SAFETY AND WELLBEING Nothing is more important to us. We strive to be leaders in health and safety, safeguarding anyone that could be affected by our activities. EMPLOYEES Investing in the growth, diversity and development of our employees helps us to attract talent and achieve long-term success. COMMUNITY ENGAGEMENT Supporting local communities through education, fundraising and sponsorship opportunities.	FOCUS AREAS MINIMIZING IMPACT Seeking to understand and reduce the impact of our activities, while developing innovative products to help protect the environment. PRODUCT SUSTAINABILITY Supplying safe, sustainable products, designed to meet the needs of society now and in the future, while minimizing their environmental impact.	FOCUS AREAS LEGAL COMPLIANCE Understanding 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. THIRD-PARTY MANAGEMENT Ensuring our supply chain complies with legal, ethical and social requirements, while also finding opportunities for environmental improvement and economic efficiency.

ECONOMIC

RESPONSIBLE GROWTH

Financial stability and growth are essential to maintain our commitment to making a positive contribution towards a more sustainable future.

Financial Performance

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

INNOSPEC INC. GROUP FINANCIAL PERFORMANCE

US\$1.5
BILLION



REVENUE
(UP 2% ON 2018)

US\$466
MILLION



GROSS PROFIT
(UP 7% ON 2018)

US\$150
MILLION



OPERATING
INCOME
(UP 12% ON 2018)

US\$202
MILLION



ADJUSTED
EBITDA*
(UP 8% ON 2018)



FUEL SPECIALTIES

US\$584 MILLION
NET SALES

US\$205 MILLION
GROSS PROFIT

Growing organically by developing new products that respond to our customers' needs and drivers such as changing engine technology and legislative developments.



PERFORMANCE CHEMICALS

US\$429 MILLION
NET SALES

US\$100 MILLION
GROSS PROFIT

Driven by the development and marketing of high performance, innovative ingredient technologies including surfactants, solubilizers, emollients and silicones.

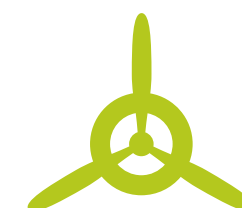


OILFIELD SERVICES

US\$480 MILLION
NET SALES

US\$160 MILLION
GROSS PROFIT

Record performance as a result of our technological advances and excellent customer support.



OCTANE ADDITIVES

US\$21 MILLION
NET SALES

Continuing to support our one remaining refinery customer as the motor industry completes its transition to unleaded fuels.

* Earnings before income tax depreciation and amortization.

New Non-Employee Director Appointed to the Innospec Inc. Board

In June 2019, we welcomed Claudia Poccia as a non-employee director to the Board of Innospec Inc. Claudia is a leading beauty industry expert with over 30 years of senior experience with a number of major cosmetic companies. Her extensive experience of the personal care industry is invaluable as Innospec enters the next phase of developing our portfolio.

“Now is the time for change; for companies to take responsibility for their environmental impact, from sourcing all the way to the end of a product’s lifecycle. Innospec has been on the cutting edge of sustainability, a true leader in business, since 1999. That unwavering commitment is one of many reasons I’m proud to serve on the Board of Directors. This exceptional company really lives its mission statement and believes in responsible business practices. As a new member of the Board, I’m keen to champion my true passions: empowering the next generation of female leaders, innovation and sustainable business practices.”

CLAUDIA POCCIA, BOARD MEMBER
APPOINTED IN 2019

Fuel Specialties Increases Capacity and Brings Key Production In-house

Following supply issues at the beginning of 2019, we took the strategic decision to bring the manufacturing of a key product range in-house at our Ellesmere Port, UK site. The team embarked on a significant project that quickly adapted our existing facilities to manufacture this new range on the site. The project, initiated in April 2019, moved to full production just two months later. By taking control of manufacturing, we have reduced the risk of future supply issues for this key product range.

“The team really pulled together in the face of supply issues. Within a record amount of time we adapted our Ellesmere Port site to manufacture a new product from scratch. It was a massive achievement that involved many people from across the business. I am really proud of how we responded to a challenging situation while maintaining our supply commitments and customer service levels throughout.”

PHIL BOON, EXECUTIVE VICE PRESIDENT
& CHIEF OPERATING OFFICER

Purchase of Herne Site

Our manufacturing site in Herne, Germany is an important part of our organization, supplying product for our Fuel Specialties business across all regions. Unlike the majority of our other manufacturing facilities, where we own the land, the site has operated on a leased land basis. In 2019, an opportunity arose to buy the land enabling us to own the facility outright. Over the years we have invested heavily in the site to expand its capacity and capability to enable us to meet our business and customer needs. This latest investment adds to the security of our supply position at this core location.



Oilfield Services Expands Drag Reducing Agent Business and Production

Our new innovative Drag Reducing Agent (DRA) technology reduces energy requirements by up to 40%, greatly improving pipeline efficiency. In 2019, the DRA team successfully developed, manufactured and field-tested our TORRENT® IDR crude oil drag reducing products.

In 2019, we were pleased to announce that we secured a long-term DRA contract with one of North America’s largest crude oil pipeline companies. The new contract takes up a significant amount of our current plant capacity. As a result, we have invested in the expansion of our DRA plant in south Texas, US, that is scheduled for completion in 2020.

“Everyone working on the DRA product has done a great job. Developing, producing and bringing this new product to market has been our biggest accomplishment of 2019. Securing a long-term contract before the end of the year was a key milestone for the business. We are now already investing to increase our production capacity. It has been a incredible team effort.”

TOM ENTWISTLE, PRESIDENT,
OILFIELD SERVICES



Performance Chemicals Promotes Sustainability Trends at Industry Events

Our Performance Chemicals business has been actively promoting the latest sustainability trends at a number of high-profile industry events including: Cosmetorium, Barcelona, Spain; SCS Formulate, Coventry, UK; NYSCC Suppliers’ Day, New York; and In-cosmetica Global, Paris, France.

Developing new products that use less water and plastic is a growing consumer trend and is therefore an important area of focus for our Performance Chemicals business. In 2019, we have been working with industry leaders to raise awareness of the new advances that are helping to reduce resource use and environmental impact. A range of these new products are profiled in the Product Sustainability section of this report (see page 19).

“Our focus on concentrated and sulfate-free products has continued to drive growth in the personal care market and generated a lot of interest at the American Cleaning Institute Conference this year. We can now provide the same amount of product, which would normally come in two 32oz bottles, in a zero plastic packaging shampoo bar that you can hold in the palm of your hand. As well as providing more of what’s in the bottle, we are removing the need for the bottle at all!”

BRUCE MCDONALD, PRESIDENT,
PERFORMANCE CHEMICALS

Performance Chemicals Invests in Facilities to Support Growth

In 2018, we made the strategic business decision to expand and consolidate our European facilities. Since then, we have invested substantially in our Performance Chemicals research and technology centers of excellence, enhancing the facilities and the expansion of our highly skilled workforce.

At Salisbury, US, and Ellesmere Port, UK, we constructed new laboratory facilities and recruited additional employees to focus on our customers in the personal care, agrochemicals, construction and metal extraction industries. In Castiglione, Italy, we expanded our existing laboratory and workforce to deliver the new technologies to meet the needs of our home care customers.

In response to increasing demand for our sulfate-free surfactant Iselux® product range, we have made significant investments in our infrastructure in North Carolina and have further plans to invest globally to support this demand in 2020 and beyond.

“Our strong customer service approach has given us a competitive advantage as we have entered new markets. Having a new supplier that listens and tailors products to a customer’s needs is something that was missing from markets such as construction and mining. As a result, we have seen strong growth in 2019. We are also seeing a growing interest in sustainability within these markets as demand for greener products increases.”

BRUCE MCDONALD,
PRESIDENT, PERFORMANCE CHEMICALS

Take the Lead Initiative Continues to Evolve

Our employee engagement program continues to evolve and is now firmly embedded in our Fuel Specialties business. The number of employee generated ideas rose by 496 to a total of 2,256 since the program’s inception in 2016. Projects implemented year to date have resulted in savings of over US\$3.5 million. We were also pleased to see the program gain momentum in the Performance Chemicals business with the number of ideas increasing by 250% on 2018. In 2019, we received ideas across 24 different business categories from improvements to supply chain efficiencies to new product development. This demonstrates the depth and scope of engagement in the program throughout Innospec.



Innovation

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

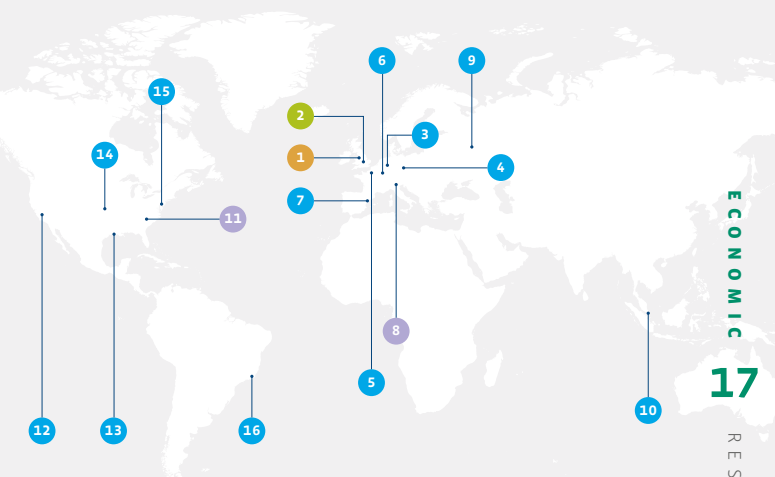
Keeping ahead in fast-moving markets requires continuous innovation. To help support their own future growth, our customers rely on their suppliers to provide novel, reliable and sustainable products and formulations. Throughout 2019, we have continued to increase our Research and Technology (R&T) capability expanding our facilities and increasing our highly skilled workforce. We integrate our research, technology and service functions to increase our responsiveness to customers’ needs. By ensuring the service and technical parts of our business work closely together, we create the optimum environment for customer-focused innovation.

Following the opening of our new regional R&T Center at The Woodlands, Houston, TX, US, in 2018, we took the decision to further extend our research laboratory capability in 2019. The expansion of the new Performance Chemicals research facility at Ellesmere Port, UK gives us additional capacity to develop products for our household, industrial, construction and agrochemicals as well as personal care products. The Ellesmere Port, UK, and Houston, US, investments are part of a continuous expansion plan for our Research and Technology capability, designed to meet the future requirements of customers as our markets continue to grow.

“2019 saw the successful launch of a number of new innovative products. The pipeline for product development continues to be strong across all divisions. Ongoing research is important because it enables us to deliver novel and more sustainable chemicals at precisely the time they are required in our customers’ own product development and approval cycles. In some cases, this means collaborating with our stakeholders on multi-year Research and Technology programs.”

IAN MACMILLAN, SENIOR VICE PRESIDENT, TECHNOLOGY

- US\$35.4 MILLION INVESTED IN RESEARCH AND TECHNOLOGY (R&T), UP 6% ON 2018
- 211 PEOPLE WORKING GLOBALLY IN R&T AND TECHNICAL SUPPORT
- INNOSPEC GLOBAL RESEARCH CENTER BASED AT THE ELLESMERE PORT, UK SITE
- 4 REGIONAL R&T / TECHNOLOGY CENTERS
- GLOBAL CENTER OF EXCELLENCE BASED AT MILLBROOK, UK
- GLOBAL NETWORK OF 10 TECHNOLOGY CENTERS



- | | |
|----------------------|---------------------------|
| EUROPE | ASAPC |
| 1 Ellesmere Port, UK | 10 Singapore |
| 2 Millbrook, UK | |
| 3 Herne, Germany | AMERICAS |
| 4 Leuna, Germany | 11 Salisbury, NC, US |
| 5 Vernon, France | 12 Chatsworth, CA, US |
| 6 St-Mihiel, France | 13 Houston, TX, US |
| 7 Barcelona, Spain | 14 Oklahoma City, OK, US |
| 8 Castiglione, Italy | 15 Pencader, DE, US |
| 9 Moscow, Russia | 16 Rio de Janeiro, Brazil |

- Global Research Center
- Global Center of Excellence
- Regional R&T Center
- Technology Center

Collaborating with Customers to Find Innovative Solutions

A core element of our approach is collaboration with our customers. We listen carefully to understand the challenges they face and work with them to develop solutions.

In 2019, our Oilfield Services business developed the next generation of friction reducers after listening to a customer's specific needs. For many years, the customer had the problem of sludge flowing back into production wells. In response, the stimulation technical team at The Woodlands Innovation Center, TX, US developed a cost-effective product, HiRate™ 3200G, to solve the problem. The new product is a brine tolerant friction reducer that was selected following successful field trials for use in the longest known lateral in the Permian Basin, US.

Our collaborative approach has also supported the growth of our fuel additive business in South America. We are working in close partnership with one of Brazil's largest fuel distribution companies to provide co-branded bottled fuel additive products. In addition, we have secured our first contract in Colombia, working with one of the country's largest and longest established fuel providers to supply gasoline and diesel detergents.

Oilfield Services Survey and Research Teams Excel in Field and Laboratory

Securing business in the Production Chemicals product line often requires extensive field surveys to fully understand our customers' needs. Our Customer Technical Service (CTS) group, at times accompanied by our sales personnel, spend days and often weeks taking samples and performing field tests. Following these field investigations, our teams returned to their regional laboratories to begin tailored product testing. In 2019, the CTS team performed over 60 field surveys, as well as three separate R&D projects.

Our CTS group is equipped with state-of-the-art 'Mobile Response Technical Units' to quickly resolve almost any production or pipeline technical problem. Working with fresh samples on location gives a faster response time so that we are able to help our customers get their wells

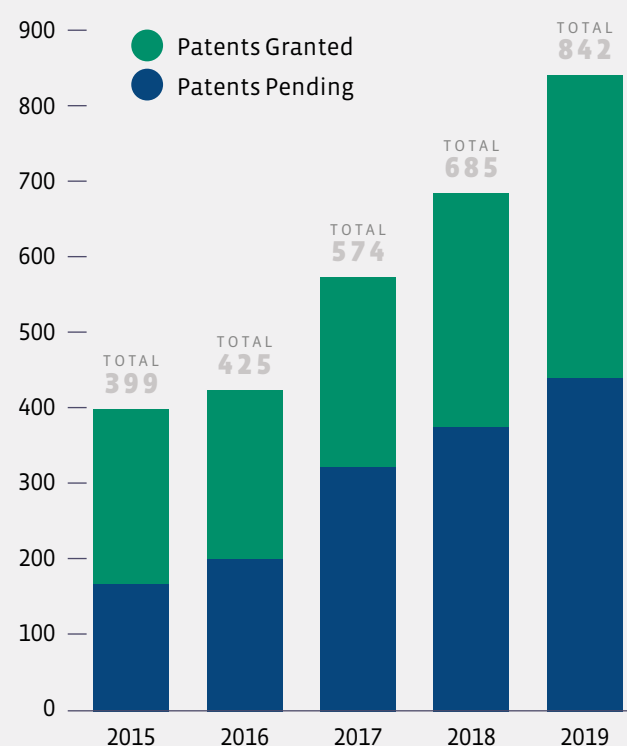
back online sooner. Our locally based technicians have years of field experience and are well-versed in hydrogen sulfide, paraffin, corrosion, scale and mechanical issues.

In 2019, our CTS team formulated a complete treatment product line, targeting the large amounts of water used in hydraulic fracturing applications. The TruClean™ water treatment portfolio consists of more than 40 products that resolve a range of issues from improving filtering efficiency to controlling bacterial growth.

Working together with Production, Drilling and Stimulation groups, CTS helped secure a contract in New Mexico through extensive field testing and analysis. The group's high-quality work, excellent customer service and commitment to innovative technology led to a contract to supply chemicals for the company's entire portfolio.

Intellectual Property

Our intellectual property is a significant part of our competitive advantage. We actively protect our new product technologies by filing patent applications as well as maintaining trade secrets. We have a portfolio of trademarks and patents, granted or in the application stage, covering products and processes in many jurisdictions.



Product Sustainability

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

Fuel Specialties Supports Marine Industry Transition to Low Sulfur Fuels

During 2019, our Fuel Specialties business continued to support the marine industry's transition to low sulfur fuels as it prepared for the introduction of the International Marine Organization's (IMO) 2020 regulations.

Our Octamar™ range has helped many refiners, ship owners and operators clean and prepare tanks and pipelines ready for new low sulfur fuels, to be used from 1 January 2020. All responsible parties had to ensure that fuel storage tanks were clean of heavy fuel oil asphaltene sludge deposits to prevent the contamination of the new low sulfur fuels.

Tank and pipeline cleaning methods are expensive and can expose the workers involved to significant health and safety risks. The Octamar™ BT product series helps keep asphaltenes stable and in suspension, which would otherwise settle out as sludge in the tank.

Alongside the launch of the Octamar™ range for end users, the Trident™ marine fuel additive range was also launched. The new range was created to ensure that upstream fuel manufacturers support the transition to low sulfur fuels as required by the new IMO 2020 regulations. The additive range gives manufacturers greater blend flexibility and the capability to make higher quality fuels.

In 2019, to meet increasing customer demand and ever more stringent regulations, we opened a new marine fuels laboratory at The Woodlands, US facility. The new laboratory was commissioned to help us understand the behavior of these newly produced fuels alongside new product development and formulation.

ECOCLEAN Helps Heavy Vehicles Run on Low Sulfur Fuel

Modern ultra-low sulfur diesel is a cleaner alternative to traditional fuels, reducing the impact of vehicle emissions to human health and the environment. However, the process of removing sulfur can impact the behavior of fuel and at times increase potential wear in the engine fuel system.

The changes in low-sulfur fuel behavior at low temperatures can have significant impacts on its use by rail and heavy goods vehicles, including buses. Fuel Specialties' ECOCLEAN 4200 diesel detergent package is now a TOP TIER™ (The US diesel standard established in 2017 to promote better fuel quality in the marketplace) approved additive that helps mitigate the challenges of low sulfur fuels. The product helps to improve the performance of low sulfur fuels extending engine life, improving fuel efficiency and reducing emissions. Independent trials of ECOCLEAN 4200 found it improved bus engine miles per gallon performance by 2.56% and locomotive testing revealed a 3% fuel economy benefit.








Performance Chemicals Products Reducing Water, Packaging and Emissions

Our Performance Chemicals research and technical teams have been responding to increased customer demand for less plastic and lower embodied carbon emissions in their products. We have developed innovative new concepts that change the way products are transported, packaged and used including:

- ▶ **More concentrated ingredients and formulations that require less water and less packaging.**
- ▶ **Ingredients that are easier to rinse so that less water is needed during use.**
- ▶ **Concentrated solutions that require fewer transport journeys, reducing associated packaging and emissions.**
- ▶ **Inspiration for plastic-free packaging such as aluminum and other recyclable options to make end products more environmentally friendly.**

We have developed a range of ingredients that can help our customers create water-free formulations that require less packaging, including:

-  **Charcoal Cleanse and Shave Stick**
(Iselux® SCMI MB, Pureact I-78 MB, Pureact TR-L90 MB)
-  **Bubble Scrub Butter**
(Iselux® SCMI MB, Empigen® BS/FA/MB, Pureact Gluco C MB)
-  **'Small but Mighty' Shampoo Butter**
(Iselux® SCMI MB, Emulsil® DME-504, Puract I-78 MB, Pureact SCG MB)
-  **Powder-to-Foam Facial Cleanser**
(Pureact WSP, Pureact I-78 MB, Pureact SCG MB)
-  **Charcoal Shampoo Bar**
(Activsoft CD, Pureact I-85EC MB, Pureact TR-L90 MB)



GDI Additives Reduce Emissions by up to 25%

For lighter vehicles, our Dynamico™ additive technology range ensures that the latest gasoline direct injection (GDI) engines maintain maximum fuel economy and minimize emissions. GDI engines are susceptible to fuel deposits forming around the injector system that reduce efficiency and engine performance. By using Dynamico™ additives, existing deposits are removed, fuel efficiency is increased and particulate emissions are dramatically reduced.

LPG Additive Reduces Emissions by up to 12%

In January 2019, our Fuel Specialties business launched its new LPG (liquefied petroleum gas) additive range. AURUM™ is our first propane additive range for use in the autogas, agricultural, industrial, and home service markets. Test data shows that using AURUM™ additives can increase the combustion efficiency of LPG fuel by up to 12%.

Naturally Certified Product: Being Clear on the Meaning of 'Natural'

Since 2015, there has been an almost 300 fold increase in references to 'clean beauty' on social media, demonstrating the growing consumer interest in this issue. However, with no European regulation on term and claim definitions, there is often confusion about what is meant by 'clean' or 'natural' with many brands defining it differently. Consumers want to trust their beauty brands, so it is important to be transparent about claims, ingredients and how products are manufactured.



At Innospec, one aspect of the term 'clean beauty' relates to only providing ingredients that are suitable for safe, gentle and effective skin and hair formulations. We have been working closely with industry to help create consistent and substantiated claims. This also applies to increasing the understanding of the underpinning requirements of the term 'natural.' Our webinar sessions provide clear information on the different terms used, such as 'natural' or 'naturally derived', and the different standards and certifications that can be used.

To provide our customers with the assurances they need, we use both the COSMOS and ECOCERT Greenlife standards. Both standards have strict criteria for the acceptance of natural origin raw materials, which take into account sustainability, including the environmental fate of ingredients and human welfare.

The COSMOS (COSmetic, Organic and Natural Standard) certification is a voluntary scheme that cosmetic producers can use to certify that their products are natural or organic. It is the largest global cosmetic certification company and one of the few organizations to offer a standard for natural detergents. The ECOCERT Greenlife standard for natural detergents promotes renewable resources for use in home care and industrial cleaning products.



We now offer our customers the following ECOCERT COSMOS and ECOCERT Detergent certified products:

-  **ECOCERT Detergents:**
Empicol® CZV/N MB, Empicol® CZV/N, Empicol® CZ/N MB, Empicol® CZ/N, Empigen® BS/FA, Empigen® BS/FA/MB
 -  **ECOCERT COSMOS:**
Activsoft C-14MR, Empicol® CZ/N MB, Empicol® CZ/N, EMPICOL® CZV/N MB, EMPICOL® CZV/N, Empigen® BS/FA/MB, Pureact 138, Pureact Gluco C, Pureact Gluco D, Pureact Gluco L, Empicol AL30/FL3/MB
- Our 'Be Clean Beauty' range provides our customers with high performing products that also give the confidence of COSMOS certification.**

“ We have always been customer focused, delivering innovation to create new products, but now it is also about offering new concepts that are more sustainable. These concepts can help the consumer reduce their impact on the environment by changing the way they receive and use their products. Sustainability is a driving force for new and innovative concepts that are really transforming the personal and home care industries with many other sectors following the same path.”

BOB GRIFFITHS, GLOBAL VICE PRESIDENT, BUSINESS DEVELOPMENT & STRATEGIC ACCOUNTS, PERFORMANCE CHEMICALS

Innospec chemistry helping to make life work better in:



AGRICULTURE

ENVIOMET® C – a powerful range of readily biodegradable chelating agents, making them an environmentally friendly alternative to other chemistries.

EMPILAN® – Effective and versatile products for agrochemical applications, essential to creating specialized end-use properties that can be incorporated into virtually any liquid formulation.

NANSA® EVM – a high performing, versatile and functional range of linear and branched anionic surfactants, providing flexibility to the formulator, emulsification and long-term stability.



ENERGY

eco therm® pro natur – improves the stability and gives cleaner combustion of light heating oil, alongside a carbon offsetting program enabling our customers to offer carbon neutral premium heating oil to their customers.



TRANSPORT

Octamar™ – helping the shipping industry transition to new low-sulfur fuels meeting IMO 2020 legislation.

Dynamico™ fuel additives – increasing fuel economy and reducing particulate matter from GDI engines.

Aurum® – reducing CO₂ emissions from LPG vehicles, heating and metal works.

OLI-8000 – British Pipeline Agency (BPA) approved lubricant that supports the transport of low sulfur diesel fuels efficiently.



HOME CARE

Dried surfactants – Eliminating the need to transport water, reducing associated transport emissions and compatible with plastic-free packaging for final consumer products.

EMPICOL® series – High active concentrate formulations that use less water and enable finished products to be made with fewer ingredients reducing production time.

Aquanate series – A mild range of surfactants derived from natural sources and readily biodegradable.



CONSTRUCTION

Millifoam® – a new product range for high, medium and low-density plaster boards, helping to address different industry needs such as raw material sustainability, energy saving and lower CO₂ emissions.



PERSONAL CARE

Natrlquest® – An award winning biodegradable chelating agent for use in hair care and hand cleansing, offering the overall best alternative to EDTA amongst other non-biodegradable chelants.

Iselux® range are high-performing, sulfate-free surfactants that meet demand for gentle, effective cleansing. The range is naturally derived from renewable feedstocks and is readily biodegradable.

Empigen® and **Pureact** – a number of our products in these ranges are certified as COSMOS and ECOCERT natural detergents.

InnoSil provides alternatives to cyclic silicones used in cosmetics that do not cause environmental harm.

Solid cleansing solutions – eliminating the need to transport water, reducing transport emissions by 75% and helping to minimize plastics used in the final consumer product.



RESOURCE EXTRACTION

ACTIVEMOL PC – an excellent solvent for many organic and inorganic materials in such applications as surface cleaners, degreasers, dyes, fibers, plastics, batteries, aromatic hydrocarbons, and natural gas.

Dehscofix® SC12 – improves the efficiency of the electrolytic extraction in copper mining, reducing energy requirements.

TORRENT® – drag reducing agents that improve pipeline efficiency and reduce energy requirements by up to 40%.

Redi-Guard™ – supporting the switch to energy efficient water-based mud systems for resource extraction.

RediSeal™ – the industry's first 100% acid-soluble, high-solid, high-fluid squeeze pill that maintains the compression strength needed to hold a tight seal throughout the drilling section, preventing losses and damage.

HiRate Plus 120™ – improving extraction efficiency by reducing friction.

TRUCLEAN™ – helping to clean the large amounts of water hydraulic fracturing applications.

IWC-691 – allows residual oil in water to be extracted and recovered rather than disposed.

IPD-470 – allows oil to be easily transported in cold climates reducing the energy needed to pump and transport.

EcoSolve™ – an environmentally friendly acid that provides an alternative to harmful hydrochloric acid treatments for use in oilfield industry. The acid is classified as being a non-irritant to skin and is biodegradable, minimizing risks to people and the environment.

“ We understand that the Environment, Social and Governance aspects of our business are of increasing focus for our investors. As a company, we look carefully at our supply chain and seek to provide as much information as possible on the impacts of our products. At Innospec, we take this extremely seriously and work to ensure our investors and customers have the information they need to fully understand the impacts and benefits of our products. We aim to understand the impact of our products from the ‘cradle to the grave’ and develop products that deliver a positive benefit to society by helping to increase efficiency and reduce environmental impacts.”

BRIAN WATT, SENIOR VICE PRESIDENT STRATEGIC PLANNING,
CORPORATE DEVELOPMENT AND INVESTOR RELATIONS

Health, Safety and Wellbeing

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

It is our duty to ensure that everybody returns 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. Our three core SHE objectives are:

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

In 2019, we were pleased to see a decrease in the number of accidents as our Journey to Zero Harm (JTZH) program enters its second phase and is now firmly embedded across all sites. A key part of the program is the 60-second checks that encourage employees to look proactively for any potential health and safety risks. The number of checks completed has more than doubled since 2018, demonstrating how this proactive health and safety approach is becoming embedded in our everyday operations and routines.

RESPECT Committee

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 members of the senior leadership team. RESPECT, led by our CEO Patrick S. Williams, is responsible for setting the group's SHE policy and objectives across the global business. It also monitors ongoing performance throughout the year. Together, we have worked hard over many years to establish a strong culture of safety within our organization. The RESPECT group reports to the Board and conducts a major review of objectives and performance annually alongside a quarterly interim review.



9% DECREASE IN THE TOTAL NUMBER OF ACCIDENTS SINCE 2018
86% OF THE TOTAL ACCIDENTS REPORTED CLASSIFIED AS MINOR



9,743 NEAR MISSES RAISED*



JOURNEY TO ZERO HARM:

- ▶ Phase 2 of rollout to non-manufacturing employees initiated
- ▶ Mobile app launched for field employees
- ▶ 1,493 manufacturing and R&T employees trained
- ▶ 7,970 management interactions completed
- ▶ 85,096 60-second checks completed (129% increase on 2018)



0.07 PER 100,000 HOURS INNOSPEC EMPLOYEE LOST TIME ACCIDENT FREQUENCY RATE (LTAFR) COMPARED TO UK CHEMICAL INDUSTRY AVERAGE OF 0.15



18% DECREASE IN QUANTITY LOST IN LOSS OF CONTAINMENT (LOC) EVENTS



100% OF MANUFACTURING SITES MAINTAINED THE CONTROLLING RATING OF THE UK CHEMICAL INDUSTRY ASSOCIATION'S (CIA) HEALTH METRICS INDICATOR TOOL
81% OF SITES HAVE REACHED BEST PRACTICE AND **73%** ADVANCED IN SOME AREAS

*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.



SOCIAL

CARING FOR PEOPLE

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

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.

In this section, we look in detail at our performance across the social strategic focus areas.



Process Safety

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 safety foundation for all our processes. Our standards are reviewed continually against best practice. We amend and add new procedures wherever necessary or following any incidents that occur in the chemical industry.

Our Process Safety Standards cover:

- **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.

Compliance with the Process Safety Standards is monitored through the process safety audits, carried out by our Corporate SHE team. These audits measure a site's compliance against the corporate standards. This includes an assessment of the level of implementation, operational employee awareness and their contribution to the sites Process Safety Standards performance and critical control measures. The outcomes of the audits are discussed by the Executive Team at their quarterly SHE review. These audits have evolved over the years to keep up with best practice and, in 2019, a new 'Deep Dive' approach was introduced. This new approach focuses on a number of potential Major Accident Hazard scenarios as selected by the auditing team, to establish the robustness of the process safety management system. The following sites were audited using the new approach in 2019: High Point and Salisbury, NC, US; Barcelona, Spain; Herne and Leuna, Germany. All remaining sites will be audited in 2020.

Process Safety Performance Indicators (PSPIs)

Our PSPIs are monitored at 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 review 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 the local level, our Executive Team's commitment to the prevention of incidents and accidents. In 2019, the Executive Team made five visits to the following sites: High Point and Salisbury, NC, US; Barcelona, Spain; Herne and Leuna, Germany.

New Start-up Authorization Procedure

As we expand our product portfolio, we have invested in new plants, conducted major modifications to existing facilities and introduced new processes. To ensure that process safety is not compromised following such changes, a new Start-up Authorization (SuA) Procedure has been developed and launched as part of our process safety management system. The SuA procedure uses a new bespoke electronic platform to ensure that all appropriate safety and design issues have been considered, collated, reviewed, approved and documented prior to the commissioning of new plants, processes or major modifications.

Preparing for Emergencies

All manufacturing sites need to be prepared and able to provide a safe and competent response to an on-site emergency. To support their response plans, our Ellesmere Port site provided their emergency responders with a bespoke incident command and control course provided by Cleveland Fire Brigade Risk Management. Our Leuna, Germany site carried out an emergency exercise as a requirement of their Seveso permit involving the scenario of a fire at the main emergency vent. The purpose of the exercise, which involved the emergency services alongside our site response teams, was to test our emergency procedures and systems to ensure they continue to be robust.



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 at the forefront of people's minds and that we continually raise standards.

Every year, 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 2019, this included courses on first aid and use of defibrillators, fork-lift truck safety, process safety, welding, hot work, confined space safety, HSG 210 asbestos training, safety steward administration and fire safety and extinguisher training.

Behavioral Safety

In 2012, we introduced an objective for all sites to implement behavior safety training, which has been a key part of our local training programs ever since. All sites have an annual 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

Building on the excellent existing behavioral safety activities at our sites, the Journey to Zero Harm (JTZH) program sets out our expectations in a clear and consistent message. The program provides tools to help everyone focus efforts on achieving zero harm to people, environment and our assets. The program, launched in 2017, consists of five elements:

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

Management teams build trust and relationships, sharing the safety vision and confirming that their 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.

5

PERFORMANCE

Reviewing and monitoring to promote continuous improvement.

4

60 SECOND CHECKS

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



1,493

EMPLOYEES TRAINED



7,970

INTERACTIONS COMPLETED
(AVERAGE 664 PER MONTH,
INCREASE OF 87% ON 2018)



85,096

60-SECOND CHECKS
COMPLETED (129%
INCREASE ON 2018)

JTZH is our key strategic tool to help reduce accident numbers by encouraging everyone to take responsibility for safety risk assessment. 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 that the behavior expectations and safety culture is led from the top. Our Board and Executive Team members received their JTZH training in 2018. In 2019, we completed phase one of the program that focused on roll-out to all manufacturing, operational and laboratory personnel. We also began phase two of the program which targets non-manufacturing personnel (office, sales and marketing personnel). A new admin training package was developed that will be launched in 2020 using an e-learning platform.

Site-Based Initiatives Help Boost Safety

In 2019, we were pleased to see many of our sites introduced or continued their incentives to encourage near miss reporting. In Castiglione, Italy the employee who reports the 'near miss of the quarter' now receives a gift of a JTZH backpack. At Ellesmere Port, UK, the employee reporting the 'near miss of the month' nominates a charity of their choice to receive a financial donation. The site also offers a biannual voucher prize to the employee who raised the best near miss of the previous six months. Our sites in North Carolina, US also make a financial donation to an employee-nominated charity for their 'near miss of the month' program. Our Leuna, Germany site awards a safety gift to the employee raising the 'near miss of the month'.

“Safety is our number one priority and Journey to Zero Harm has really embedded itself in our business in 2019. Discussions on safety are daily and take a high priority. We communicate with our employees the need to take their time to ensure a job is done safely – it only takes one mistake to have a major impact on people's lives. We spend a lot of a time on the road and on operational sites and we reinforce with all our employees the need to take care and be safe.”

TOM ENTWISTLE, PRESIDENT,
OILFIELD SERVICES

Certified In-House Safety Trainers Deliver Courses

Our Midland, TX, US site now has in-house Petroleum Education Council (PEC) certified trainers who can deliver SafeLand and SafeGulf courses, which provide general safety information to workers before they go on to a facility. In addition, our trainers can also deliver the PEC Safety's Hydrogen Sulfide (H₂S) Clear four-hour standalone course that helps improve employee safety performance and provides clear instructions on the risks of working with H₂S.



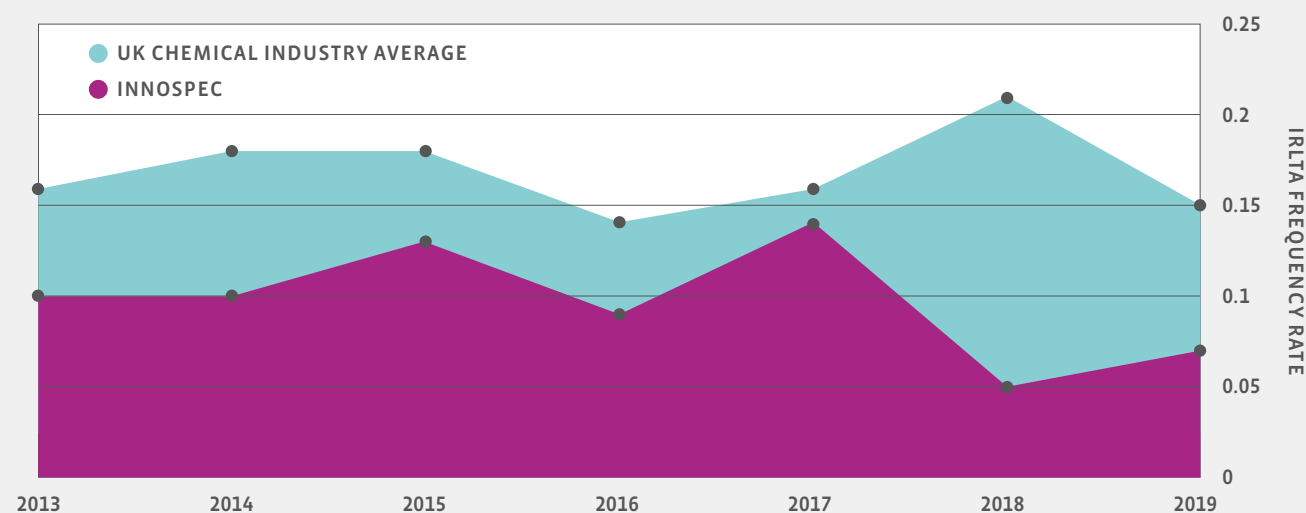
Safety Performance

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 2019, we had an employee IRLTA Frequency Rate of 0.07 per 100,000 hours, which was significantly better than the industry average of 0.15.

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. Even though our IRLTA frequency rate was better

than the industry average, we unfortunately have to report three employee IRLTAs in 2019 across the company. An operator sustained a knee injury after losing balance while removing a cover from a pallet of drums. The second employee also injured their knee when they tripped while ascending the stairs in an administration building. The third accident resulted in a hand injury to an operator as they moved a 25kg bag of powder.

Although it is disappointing as we always strive for zero accidents, we are pleased to report that none of these 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.



EMPLOYEE REPORTABLE LOST TIME ACCIDENT FREQUENCY RATE INNOSPEC VS INDUSTRY AVERAGE

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 involved or the nature of the material. All LOC events are investigated to fully understand and address the root causes and effects. All manufacturing facilities are required to develop and implement a LOC reduction program that is reviewed quarterly.

In 2019, our focus on reporting events, no matter how small, contributed to a 28% increase in the number of LOC events when compared to those reported in 2018. However, despite this increase in reported events, we were pleased to see the total amount of hazardous material released to the environment continued the 2018 downward trend, decreasing by a further 18%.

Our sites are working hard to prevent LOC events. In 2019, all sites had an effective LOC reduction program in place that includes both reactive and proactive measures. In addition, all regions have undertaken a review and risk assessment of their site processes and raw materials. LOC near misses are also monitored, categorized and analyzed. Our ongoing approach encourages engagement and ownership at all levels, from operator to manager. In addition, we are:

- ▶ **Focusing on LOC prevention of materials that have the potential for a Major Accident Hazard.**
- ▶ **Conducting site tours to identify potential LOC scenarios and taking preventative action such as proactively replacing equipment and enhancing maintenance programs.**
- ▶ **Spotting, reporting and taking action on LOC near misses.**
- ▶ **Sharing best practices across the company.**

At the site level, increasing engagement and focus on LOC is underway with all sites working to increase ownership and accountability. This is occurring at all levels, with dedicated regional LOC teams, site teams and area teams. Sites have been focusing on communication and training, near miss reporting, compliance and auditing, clear labelling and targeting Major Accident Hazard prevention.



Some of the site-led initiatives include:

- ▶ **Barcelona, Spain** has introduced a new KPI dashboard displayed in communal areas to help improve communication alongside the introduction of a new internal audit program.
- ▶ **Castiglione, Italy** is using the 60-second check approach to help increase awareness and has also dedicated three employees at each plant to focus on LOC reduction activities.
- ▶ **Ellesmere Port, UK** has introduced a new awareness and engagement training program.
- ▶ **Leuna, Germany** is delivering a new eLearning LOC training program that includes KPI data and Root Cause Analysis learnings from previous LOC events.
- ▶ **North Carolina, US** has introduced a new LOC training program for employees and has made improvements to their preventative maintenance inspection programs.
- ▶ **Pleasanton and Midland, US** have been focusing on intermediate bulk container (IBCs and totes) failures and working with existing and new suppliers to reduce occurrence.
- ▶ **Oklahoma, US** has installed new high-level alarms on storage tanks.
- ▶ **Vernon, France** has introduced a new LOC mascot to help engage employees and share best practice.
- ▶ **Saint Mihiel, France** has focused on the human factors involved in LOC events. A new labelling system and performance board have also been introduced.



Corporate Safety Awards

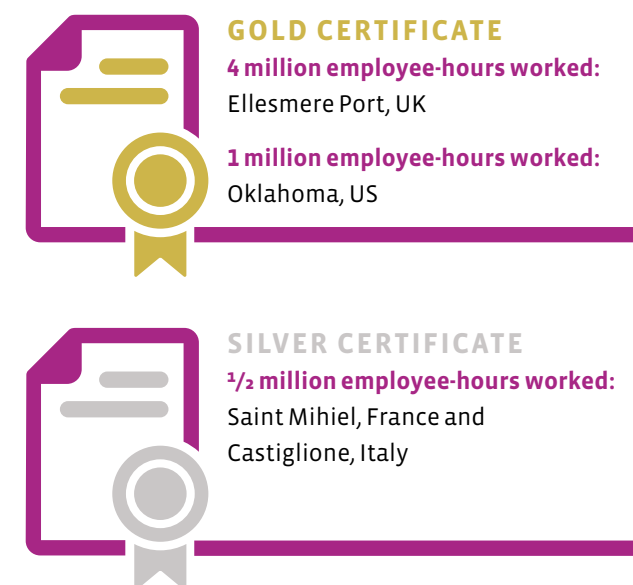
One of the ways that we recognize and reward good safety performance is through our Corporate Safety Awards. The program recognizes manufacturing sites and associated operations that reach a calendar year, or more, without an IRLTA. Each site achieving one, three or five years without an incident is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

A US\$1,000 donation to charity is awarded with a bronze plaque, US\$3,000 for silver and US\$5,000 for gold. The total donations for 2019 amounted to US\$9,000. The following charities were nominated by the receiving sites:



Corporate Safety Certificates

Our Corporate Safety Certificate program recognizes key milestones of employee-hours worked without an IRLTA. In 2019, the following sites received safety certificates:



External Recognition

Ellesmere Port, UK, received their fourth Order of Distinction Award from the Royal Society for the Prevention of Accidents (RoSPA) for their excellent health and safety performance in 2019. The award recognizes 18 consecutive years of achieving RoSPA Gold.

Our Fuel Specialties business in the US, Innospec Fuel Specialties LLC, received their first Responsible Care® Certificate of Excellence for 2019 safety performance. The certificate is awarded to those companies with zero fatalities, days away from work cases, and job transfer or restriction cases among both employees and contractors in the reporting year.

We also received external recognition for maintaining a safe and healthy workplace at our sites in Salisbury and Highpoint, NC, US. Both sites qualified for a Silver Safety Award issued by the North Carolina Department of Labor (Safety Awards) program. The awards recognize sites that have a CDAW (cases with days

away from work) rate less than 50% of the latest published US chemical industry average of 0.3.

Our site in Barcelona, Spain received recognition in June 2019 from the COASHIQ (Spain's Chemical Association) in acknowledgement for achieving a year with a zero-accident frequency index during 2018. The site's SHE Technician, Oscar Bautista, was presented with the award at a ceremony held in June at Valencia.



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 emergency response.
- **Health exposure monitoring:** Exposure monitoring and health surveillance.
- **Health and business performance:** Wellness support programs, absence case management, rehabilitation programs, 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 2019, we continued to improve and are pleased to report that ten of our manufacturing facilities have now reached 'Best Practice' levels with just two remaining at the Controlling rating.

“ We try hard to ensure our work schedules are flexible to accommodate family life and provide a worker-friendly environment. Over the last six years, we have really transformed our culture to support our employees and make sure it is family first. We think that is so important to our business and the results speak for themselves. Our worker retention rate is high for the Oilfield Sector and we are seeing more diversity in our workforce with more female engineers and senior managers in the business. We want every employee to feel part of the Innospec family and understand that their wellbeing is of paramount importance.”

JAIME DE LOS SANTOS, EXECUTIVE VICE PRESIDENT, OILFIELD SERVICES.

Promoting Healthy Lifestyles

Each year our employees get involved in a range of initiatives to help promote healthy lifestyles, both within and outside the work environment. In 2019, our employees across the world, got involved in fitness programs, ran half-marathons, completed team-building triathlons and raised awareness of health issues. Often our employees use their fitness activities to raise money for charities, making everyone a winner. Examples of the ways our sites promoted healthy lifestyles and supported the welfare of our employees and their families in 2019 included:



At our Leuna, Germany site, 15 employees took part in a **team-building triathlon** at Lake Hasse, Rossbach and five employees took part in the Merseburg Lions Club **beneficiary run** also raising money for charity. The site also introduced a **bike leasing program** with initial take-up by 24 employees.



Product Safety and Consumer Wellbeing

Our ongoing stewardship program ensures that our products are responsibly managed and controlled throughout their life cycle. 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, including any voluntary undertakings, to our products and activities.

As a global business, ensuring that our products meet the varying compliance regulations for every region where we operate is a vital part of our corporate governance. Our customers benefit from Innospec's constant pipeline of new products. With this commitment to innovation comes responsibility. The national and international requirements for product conformity, chemical safety and registration are constantly evolving. It is important that our scientists, technicians and product development specialists understand changes in consumer behavior and customers' own demands for more sustainable products. Not only do we work with new regulations, we frequently play an active part in setting improved compliance standards and guidelines for the wider production and use of chemicals and materials. We do this through our active participation in a number of national and international standards committees who are responsible for the development, approval and use of chemicals and materials.

Ensuring We Comply with National Regulations

In 2019, our responsibilities under Europe's **REACH** (Registration, Evaluation, Authorization of Chemicals) program continued as we entered the 'Evaluation' phase. Complying with the legislation has been a significant undertaking, with over 60 substances in evaluation for toxicity, environmental toxicology and other aspects of chemical behavior.

Chemical safety is important across all our product ranges, which is why we have dedicated so many resources to the implementation of REACH. We anticipate investing a further US\$8 million in product evaluation across all businesses, over the next five years. This is in addition to approximately US\$7 million already invested in the product registration phase.

Although not ratified during 2019, the Withdrawal Agreement covering the UK's departure from the EU was anticipated during the year. We began preparing for Brexit and the significant impact it will have on future regulatory compliance, since REACH regulations apply to the EU. Over the next two years, we will be re-registering in the UK all products currently registered under REACH for European use. During the year, resources were also dedicated to other national registration schemes including Korea, Taiwan and Turkey.

Improving Sustainability in the Chemical Industry

We actively engage in developing more sustainable solutions to customers' product challenges. Our scientists play an active role in a number of working groups, committees and trade associations around the world. As legislation, regulation and consumer demands change, we need to be ready to deliver even more sustainable solutions. These advances in chemistry and technology often go largely unnoticed by the consumer. But the surfactants, solubilizers, emollients and silicones used in the cosmetics, shampoo or cleaning products that they buy are playing an important part in creating less waste, using less energy and protecting the environment.

Advocating Sustainable Change – Polymer Use

We advocate responsible development and use of polymers and work to educate customers and consumers in collaboration with Cosmetics Europe, the European Trade Association for the cosmetics and personal care industry. Polymers are an important ingredient in several of our product formulations and they need to be used responsibly. Education and awareness are important as polymers are frequently confused with plastics resulting in negative perceptions of their use.

Product Stewardship

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 a safety data sheet (SDS). This helps our customers to understand more about the manufacture and testing of our products.

We use 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 SDSs in multiple languages, label creation, national inventory compliance and classification conformity for all the products that we sell. The approach is supported by our ComplyPlus web-based integrated management system that allows the storage, retrieval and archiving of SDS documents globally for all businesses in one location. In addition, our DISC software automatically sends customers an updated SDS if any changes are made to the document.

Our regulatory experts collaborate with their peers and industry bodies to give advice and respond to any safety or sustainability issues that arise in relation to our products. Some of the groups we work with are listed below:

- CEFIC Polymer Committee
- Polymer Network of Experts Group
- REACH Consortia
- Global Emerging Regulations Group
- Affiliate member of Cosmetics Europe
- ATC (Technical Committee of Petroleum Additive Manufacturers in Europe)
- ACC (American Chemical Council)
- CIA (Chemical Industries Association)
- ERASM (Environment and Health – Risk Assessment & Management)
- CESIO (European Committee of Organic Surfactants and their Intermediates)
- PAP (Petroleum Additives Panel)





Responsible Care®

Responsible Care® is a global initiative, practiced in nearly 70 economies in six continents around the world. It is the chemical industry's global initiative to drive continuous improvement in health, safety and environmental performance for the last 30 years. We are a long-term participant and 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 in 1988, over 30 years ago. Our Innospec Fuel Specialties LLC operations in the US have held their **Responsible Care®** management system certification since 2007.

As **Responsible Care®** enters its fourth decade, the program continues to provide a roadmap to help make the chemical industry safe, transparent and sustainable. People around the world want to understand what is in the products they buy and that they are produced safely.



RESPONSIBLE CARE®
OUR COMMITMENT TO SUSTAINABILITY

Responsible Care in Practice

We have taken an active role for many years in the delivery of **Responsible Care®** across the industry. As an example of this commitment, we chaired an industry working group of the Petroleum Additive Manufacturers in Europe (ATC), which is an affiliate member of the European Chemical Industry Council (CEFIC). The working group, made up of representatives of manufacturers and customers, created a Best Practice Manual for the safe handling of the cetane number improver (CNI) 2 ethyl hexyl nitrate. The product has the potential for exothermic decomposition when heated above 100°C.

In 2010, we developed an Innospec CNI Manual based on this best practice for our supply chain distributors and customers to ensure they are aware of safety requirements when handling of this product. In addition to the manual, we have since created an online training awareness package. In 2019, in order to further strengthen our product stewardship activities for CNI, we introduced the requirement for all distributors and customers to review the manual and complete the training package as a condition of sale. Following supply, we proactively work in collaboration with our customers to ensure they continue to understand and apply this guidance.

Employees

We believe our hardworking team of employees 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 2019, we employed around 2,000 people across 24 countries. It is their skills, commitment and enthusiasm that helps deliver corporate and shareholder growth. We work hard to ensure the company 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 36% and 53% of employees serving greater than 10 years and 5 years respectively. This, alongside an established senior management team, supports our business culture which is built around strong relationships and 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, paid internships, trainee programs and work experience at a number of our locations. We provide participants with tailored programs that offer comprehensive practical training and experience.

Diversity

At Innospec, the diversity of skills and creativity provided by our geographical and cultural spread contributes to meeting the challenges of our business. Our diversity and equal opportunities policy ensures that current and prospective employees receive equal opportunities irrespective of gender, sexual orientation, race, color, ethnic or national origin, marital status, age, disability, religion or belief.

We understand that embracing and encouraging diversity and inclusion within Innospec is an important contributor to our creativity, innovation and success.

We attract and retain the best people in our business by ensuring that employment decisions are based on merit, performance and contribution to Innospec.

Development and Training

We offer both internal and external training to support the continued development of our employees and to meet the needs of our business. Where possible, we support our employees' ongoing training and development to encourage their progression within our business.

In 2019, our Leuna, Germany, site saw two of its employees successfully complete their graduate studies, supported by Innospec. Daniel Bauler, electrical instrumentation maintenance engineer, completed his three-year maintenance course increasing his technical expertise and capacity. Sales assistant, Julia Demmler, completed her Bachelor of Arts degree at the International Vocational Academy of the F+U Group gGmbH, Leipzig. The qualification provides Julia with an in-depth economic understanding that will support her further development at Innospec.

2019 also provided a number of global opportunities for personnel development within Innospec as we expanded into new market sectors. A new agriculturally focused technical role became available at our Global Research Center in Ellesmere Port, UK. Ilya Kolosov, based in Russia, was identified as having previous knowledge of the sector and expressed an interest in broadening his skill set and experience within Innospec. After relocating to the UK, Ilya is making a positive contribution to the development of new products and business in this market. We were also pleased to support the progression of one of our UK-based finance graduates, Georgina Corden. Following a successful placement at our office in Houston, US, Georgina was offered and accepted a permanent position. We subsequently supported and facilitated their relocations to take up the roles, which they are both flourishing in.

We continued our focus on succession planning in 2019 to develop the skills internally for our future leaders. Senior level development roles have been created to provide employees with the experience and opportunity to progress to leadership positions. As a company, we look for potential within our existing workforce and continue to educate and support individuals so they develop and excel within our structure.

In 2020, we will continue to build on the successes we have achieved to date. We will also look more generally across our business for any areas of vulnerability to ensure we identify potential future skills gaps and develop recruitment strategies. We work to support our employees as they approach retirement to ensure they can transition in a way that works for them and the business.

“In 2019, our teams excelled in the face of a number of challenging circumstances. When we are confronted with a difficult situation, we are pragmatic and practical. We focus on what we can do and how we can overcome any obstacle to deliver excellent results and in doing so ended the year with a record share price. We are a team of problem solvers motivated to overcome obstacles and meet the challenges ahead. Everyone takes ownership, that’s the Innospec culture and it makes me very proud.”

CATHY HESSNER, SENIOR VICE PRESIDENT, HUMAN RESOURCES

Supporting a Sustainable Workforce

Understanding the motivations and needs of a younger, diverse workforce is an important consideration for our business. We need to understand how we can attract and retain the best talent in a changing and more competitive working environment. What attracts people to a business today is very different to what attracted them in the past. We recognize that operating as a responsible business is a minimum expectation for people when looking at potential career opportunities. We strive to exceed that baseline standard by making our sustainability approach a key differentiator, for example by supporting our employees’ charitable activities through the Innospec Cares program.

We also recognize the important contribution we can make as a business by providing learning and development opportunities for future generations. We do this through a variety of programs all aimed at supporting young people, including apprenticeships, paid internships, student placements and work experience opportunities.

Supporting future generations across all our sites:



OVER 40
PAID INTERNSHIPS



10
APPRENTICESHIPS



16
STUDENT
PLACEMENTS



OVER 45
WORK EXPERIENCE
OPPORTUNITIES

Providing Support and Internships to the Next Generation

Across our sites, we provide local support and opportunities for the next generation of talent in our industry. We offer a range of placements, internships, work experience and apprenticeships.

In the US, our Newark, DE, site recruited 34 laboratory technician interns from the local university during 2019. Our Regional R&T Center at The Woodlands, TX, US, recruited two graduates from the local University and provided an internship to a Biomedical Engineering graduate. Our Oklahoma site recruited three graduates and provided three internships with laboratory and sales experience.

In Europe, our Herne, Germany, site provides two and three-year training programs where students divide their time between the classroom and work. At present the site has two industrial clerk trainees and a warehouse operator trainee. Our Castiglione site in Italy provided six three-week laboratory placements to local high school students training them in analytical techniques for surfactant detection. They also provided three students with work experience in the engineering department, and one in the marketing department. Our Ellesmere Port, UK, site provides 12-month placements to university students each year. In 2019, 10 students were offered placements across a number of business areas. The site also held a welcome event in September to support the student network. The event provided students with the opportunity to meet and hear from our senior executives.

Training Support Continuous Process Improvement

At our Ellesmere Port, UK, site a number of employees attended training on the ‘Lean Six Sigma’ approach, which aims to help improve business processes by removing waste and minimizing the risk of defects or mistakes in manufacturing. The Japanese-inspired techniques have been developed to help businesses improve standards, profitability and reduce costs. Operational Skills and Continuous Improvement Project Manager, Paul Henderson, successfully achieved the Green Belt standard enabling him to train local team leaders and operators in the approach. Providing training in continuous improvement and process management helps ensure we are working as collaboratively as possible, reducing any unnecessary process elements.

Sharesave Program

Our third global Sharesave Program is now well underway. Launched in 2018, it was made available to every employee across all businesses and countries. Our previous programs have been very popular and a great way for employees to participate in the company’s success. This latest program was no different with 53% of all employees globally taking up the offer. All employees that participate save a set amount of money over a fixed period. At the end of that period, participants can choose to either buy Innospec stock at a discounted price or receive the money saved.

Innospec Scientist Receives Award Recognition for Industry Leadership

We are pleased to report that Dr Jim Barker, a Research Fellow based at our Ellesmere Port, UK, site, has received a further award; this year from the ASTM International Committee D02 on Petroleum Products, Liquid Fuels and Lubricants. The Award of Appreciation was presented to Jim in December 2019 in recognition of his many years of outstanding service and active participation in the work of the Committee. In particular, the Committee chair thanked Jim for his efforts to maintain the ASTM/ Energy Institute standards that facilitate international trade and safety.



Community Engagement

Supporting local communities through education, fundraising and sponsorship opportunities.

We understand the important role of our business in the social and economic development of the communities in which we are based. Encouraging our employees to participate in community activities and fundraising activities is a core business value that benefits everyone involved.

OVER US\$517,000
TOTAL RAISED FOR
CHARITY IN 2019

OVER US\$413,000
DIRECTLY DONATED
BY INNOSPEC

136
CHARITABLE ORGANIZATIONS
SUPPORTED GLOBALLY

**OVER US\$1 MILLION RAISED FOR
PENFED FOUNDATION SINCE 2007**

PenFed Foundation Military Heroes Fund

Total 2019 raised:
OVER US\$231,000
(over 30% increase on 2018)

Total raised since 2007:
OVER US\$1 MILLION

260 employees, customers and suppliers
participated in Fuel Specialties and Oilfield
Services Charity Golf Tournaments

German Association for the Protection of Forests and Woodlands

Total donated for 2019 sales
of ecotherm® futur: **OVER €12,000**

Total donated since 2008 by our Fuel
Specialties Business in Europe, Middle
East and Africa: **OVER €344,000**



In 2019, we reached the significant milestone of raising over US\$1 million for the PenFed Foundation Military Heroes Fund since we started our annual charity golf tournament in 2007. This historic year was also marked by our CEO, Patrick Williams, receiving the Foundation's Corporate Hero Award at their 15th Annual Night of Heroes Gala held in Washington, D.C. on 19 April.

Many veterans need help and support to adapt to life back home, especially where the injuries sustained are severe. Feedback from the Foundation shows that our 2019 fundraising alone has helped 144 disabled veterans receive emergency financial assistance with their utilities, rent or mortgage. In addition, our support has helped over 67,000 people gain awareness of the Foundation's work.

“Supporting the PenFed Foundation is a very important cause for myself and Innospec. It is about us giving back and supporting veterans and their families. It can be hugely expensive to provide accommodation, treatment and equipment. We are proud to be able to help these heroes and their families in their recovery.”

PATRICK S. WILLIAMS,
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Opening Doors to Our Manufacturing Sites

Our Herne manufacturing facility in Germany hosted a visit by the local parliamentary group in May 2019. Uwe Plattes (Vice President for Northern Europe) and Dr. Frank Eilers, (Plant Manager) welcomed the group and District Mayor, Ulrich Koch, to the site. The visitors were given a tour of the site, which included an overview of the site's safety, pollution control and environmental protection systems.

In the UK, our Ellesmere Port site held their annual community liaison meeting. Local councilors, Justin Madders MP and representatives from the Environment Agency and Cheshire West and Chester Emergency Planning were invited to the site and given an update on the latest activities at the facility. Details of the site's safety, health and environmental performance along with support given to the local community was also provided.

Our St-Mihiel, France, site, held their community liaison meeting in May and also a two-day open event in September, which saw 300 people visit the site to learn about its activities.

Inspiring the Next Generation

Raising awareness of careers in the sciences and industry is an important part of our responsibility to the next generation. Many of our employees spend time engaging with schools and educational centers, providing support and advice. In 2019:

- Castiglione, Italy, hosted two school visits giving students a tour of the site, a presentation and time with managers to ask questions.
- Leuna, Germany, hosted a visit of 18 students from a local school.
- Vernon, France, provided a young student with a week's work experience.
- Ellesmere Port, UK:
 - continued its long-term partnership with the Catalyst Science Discovery Centre, Widnes, UK facilitating 12 'Showering with Surfactants' workshops for 338 school age children in 2019.
 - participated in Whitby High School's annual science day giving presentations on the science of shampoo to over 60 students aged 13-14.



Providing Support to Our Local Communities

Many of our sites build close relationships with their local communities and provide ongoing support year after year. A few of our activities for 2019 are listed below:

- Our Vernon, France site celebrated its 10-year membership of Le Groupement Interprofessionnel de la Région de Vernon (GIRV), a group of more than 100 industries operating in the area of Vernon. The group work together to support the local economy, for example they hold an annual job and training fair as part of their focus on training and employment in the local area.
- Both our sites in Barcelona, Spain, and Vernon, France, support local organizations and charities through their purchasing choices and recycling initiatives.
- Oklahoma, US, held two blood donation events with 25 employees taking part.
- Ellesmere Port, UK, held a number of charity events including collecting gifts and toys donated by employees to help the Salvation Army support families at Christmas, donations raised through hosting a book sale and a special charity bingo lunch where all proceeds were donated to The Hospice of the Good Shepherd in memory of a former colleague.

Eight Years of Fundraising Celebrated at Innospec Sites

In 2019, three of our sites celebrated eight years of supporting their chosen charities. High Point and Salisbury, NC, US, facilities continued their financial support for United Way, a non-profit organization offering support to 50 local community agencies across the areas of education, income and health. In 2019, employees at the sites pledged a combined total of over US\$72,000. Since fundraising started in 2012, employees have raised over US\$300,000 for the charity.

Another eight-year fundraising effort was celebrated at Ellesmere Port, UK. Jenni Evans, a Project Chemist in our Global Research Center, has been the driver behind the site's annual charity fundraiser for Macmillan Cancer Support. Each year, Jenni organizes a coffee morning and bakes a selection of delicious cakes for employees to enjoy while raising money for charity. To date, Jenni's baking has raised nearly £8,000 for Macmillan Cancer Support.



innospec cares

Innospec Cares is our global charitable giving and volunteering program and once again in 2019 our employees showed their support for local communities. Now in its fourth year, our Innospec Cares program has helped employees support a wide range of charities and good causes.



“2019 has been a great year for Innospec Cares, particularly following the introduction of the Volunteering Days. This new initiative enables our employees to give their time and skills to those who need it most in our communities. The face-to-face element of the program complements the financial donations already provided, helping us to build stronger relationships with our communities. Well done to everyone involved.”

INNOSPEC CARES STEERING GROUP

Any employee can submit an application for match-funding, or a direct giving donation, for their chosen charity or good cause that falls under one of the four Innospec Cares categories:

- Support of disadvantaged groups
- Human health and wellbeing
- Educational support and encouragement
- Environmental projects

In 2019, we expanded our Innospec Cares program to include Volunteering Days. Employees can now apply to spend a paid workday, once a year, to volunteer for their chosen charity or good cause. It has been great to see teams working together and organizing group volunteering activities to make the maximum impact with their allocated time.

innospec cares Charitable Giving Program

**ATHLETIK-CLUB 1990
TAUCHA E.V.**
LEUNA, GERMANY



Providing health and wellbeing support to children through classical Roman wrestling, a local tradition.

“Many thanks for the outstanding social commitment shown by Innospec Cares. Your support helps us maintain our youth development services. It is greatly appreciated.”



**NEOFYTOS CULTURAL
ORGANISATION**
LIMASSOL, CYPRUS



Providing practical and social support to people with disabilities.

“Thank you so much for your donation that will help those with multiple sclerosis overcome obstacles and be involved in their community.”

“I believe the Innospec Cares vision to help people who are in real need is so valuable. It makes such a difference and makes good things happen for people suffering hardship. Thank you for letting us be a part of it.”



**FONDAZIONE RICERCA
FIBROSI CISTICA - ONLUS**
CASTIGLIONE, ITALY



Raising awareness of Cystic Fibrosis and supporting scientific research into the disease.

“Thank you for the donation that will help us fund a project identifying and validating the analysis of circulating microvesicles, a new ex-vivo method for monitoring cystic fibrosis.”



**WIRRAL HOSPICE
ST. JOHNS**
ELLESMERE PORT, UK



Providing palliative care and support to patients and their families.

“We really appreciate your support as donations such as this make a major contribution to our fundraising income, enabling us to continue providing the special care we offer to patients and their families.”

“This was an incredible boost to our fundraising, it's still unbelievable! It means a lot to the Hospice. Keep up the good work Innospec Cares, you are doing a fabulous job supporting our community and employees.”



**JUVENILE DIABETES
RESEARCH FOUNDATION**
SALISBURY, NC, USA



Conducting vital research work to help prevent, cure and treat Type 1 diabetes.

“Generous supporters like Innospec truly bring us closer than ever to achieving a world without Type 1 Diabetes. We work every day to change the reality of this disease for millions of people.”



GOSPELPROJEKT
HERNE, GERMANY



Offering music courses to children from disadvantaged backgrounds.

“We are so grateful that Innospec Cares supports our project! This helps our goal of inspiring children from a wide range of social and ethnic backgrounds to participate where cost is no object.”



HAPPY ROOTS INC.
SALISBURY, NC, USA



Providing nature-based therapeutic and educational services for the whole community.

“Thank you for your support. It was so great to bring our community together to help improve our environment, nature and wellness at the same time.”



PEO SISTERHOOD
OKLAHOMA, USA



Supporting women to pursue higher education qualifications.

“We were so excited and grateful to receive your donation, which will be used to better educate women on available projects to help them meet their educational goals.”



SOS-KINDERDORF GERA
LEUNA, GERMANY



Providing care and support to children, mothers and young families.

“We are overwhelmed with your contribution that is helping us to continue our daily work and provide a safe, friendly place for children, many of who are orphans.”

“Thank you Innospec Cares. This is a fantastic program that helps us to support our local communities. Helping children is close to my heart and I am really proud to be part of the Innospec Cares Program.”



innospec cares Volunteering Program

LE PANIER SOLIDAIRE MARCELLOIS VERNON, FRANCE



An employee helped to sort and pack food & clothing donated by supermarkets. In the afternoon they issued the clothing and food to families in need.

"The volunteers and I thank you for your presence in our association. It is an honor, you came to support our group and you had good contact with the people using the charity. We really appreciated your help and hope you can come back again."

"Volunteering reminded me that I am so lucky and that it can happen to any of us. It was a great experience and I hope more Innospec employees take up this new volunteering opportunity."

CAPSTONE RECOVERY CENTER SALISBURY, USA



A team of 11 employees helped paint the porch at the facility. They enjoyed it so much they took an additional 2 days' annual leave to finish the project.

"We were so excited when Innospec asked how they could help. The love and attention of the Salisbury team was amazing. A once dreary porch is now freshly painted and beautiful. Thank you Innospec Cares for making this happen!!!"

"Being able to work with the Center has been an incredible experience and it has affected my life both professionally and emotionally. Seeing how happy the residents were with our restoration of their porch gave me a sense of pride in my work and a closeness to my community. I also gained a stronger bond with my co-workers and for the company I represent."

HOSPICE OF THE GOOD SHEPHERD ELLESMERE PORT, UK



A team of six employees spent a day painting and decorating patient areas throughout the facility, helping to brighten up the Hospice.

"We were absolutely thrilled with the team's efforts; they went above and beyond what we expected. Thank you!"

"I really enjoyed the experience of creating a happier and friendly environment. The Hospice is a respected provider of palliative care and is close to so many of our hearts including my own! I worked with fellow colleagues from other departments that I would not otherwise have met, expanding my understanding of Innospec."

OPEN DOOR MINISTRIES HIGH POINT, NC, US



A team of 13 employees helped prepare and serve nutritious meals to those in need.

"The team helped prepare meals, clean the facility and organize the pantry. We are so very proud of the contribution they made to our community!!"

"We really appreciate the opportunity provided by the Innospec Care's program to volunteer for the organization. It was so rewarding to help the community. We have plans to go back to help in 2020."



ENVIRONMENT




CONSERVING AND PROTECTING

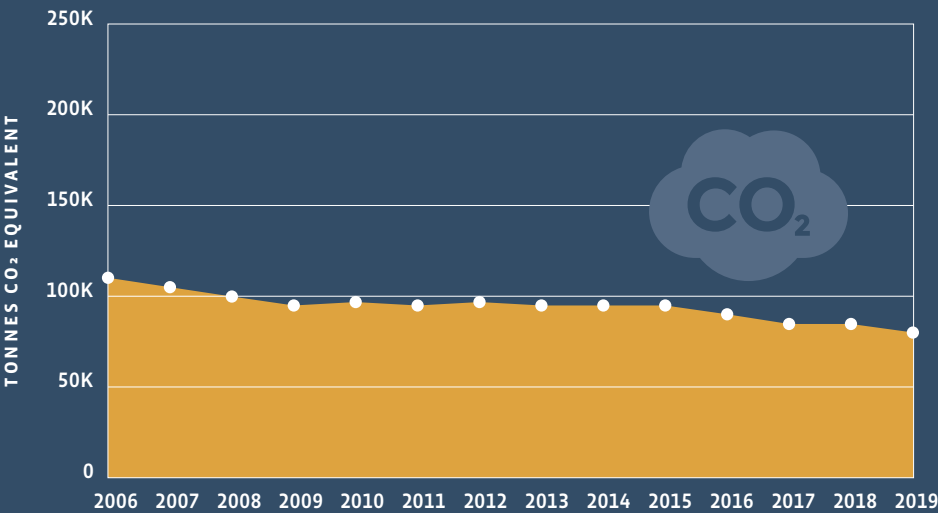
Monitoring and measuring the impact we have on the environment has been a long-standing core element of our sustainability strategy. We are committed to using resources as efficiently as possible and minimizing the impact of our operations on the environment.

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.




Environmental Performance Dashboard

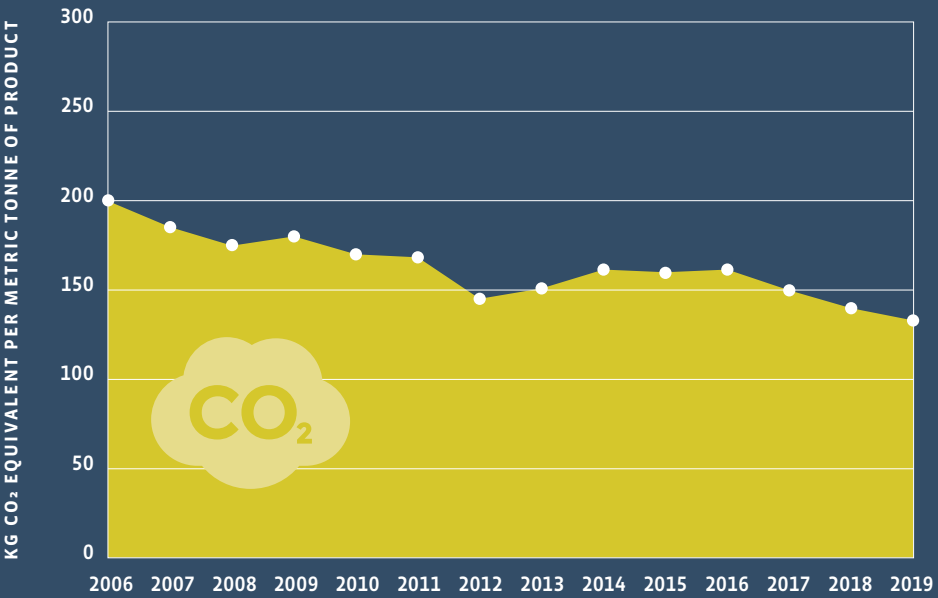
GHG EMISSIONS ABSOLUTE

-  **81,148** metric tonnes CO₂ equivalent (Scope 1 and 2)
-  **5%** reduction since 2018
-  **26%** reduction since 2006 baseline year






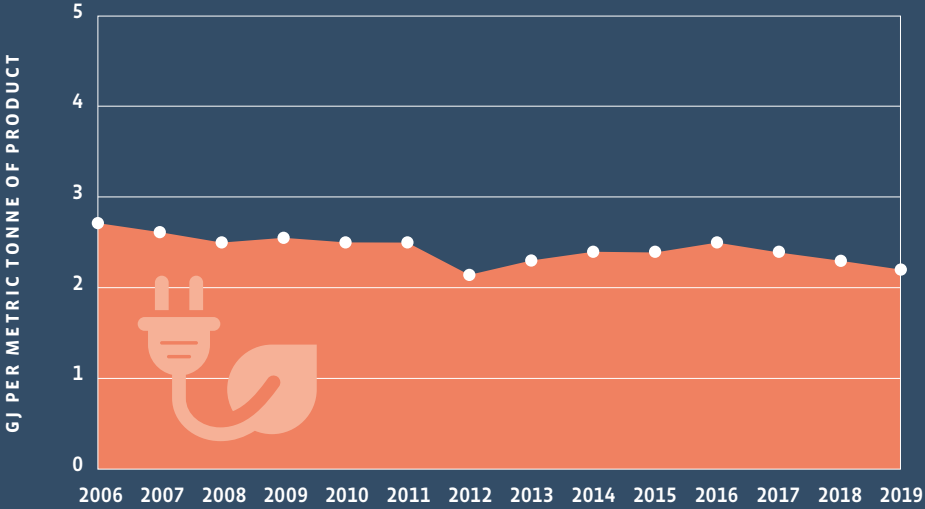
GREENHOUSE GAS EMISSIONS

-  **133KG** CO₂ equivalent per metric tonne of product (Scope 1 and 2)
-  **6%** reduction since 2018
-  **34%** reduction since 2006 baseline year






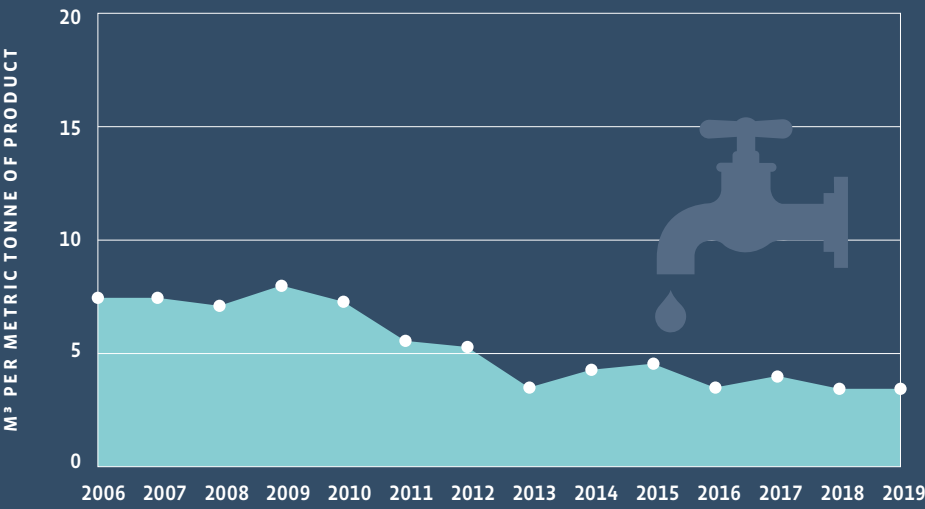
ENERGY USE

-  **2.2GJ** per metric tonne of product
-  **4%** reduction since 2018
-  **21%** reduction since 2006 baseline year






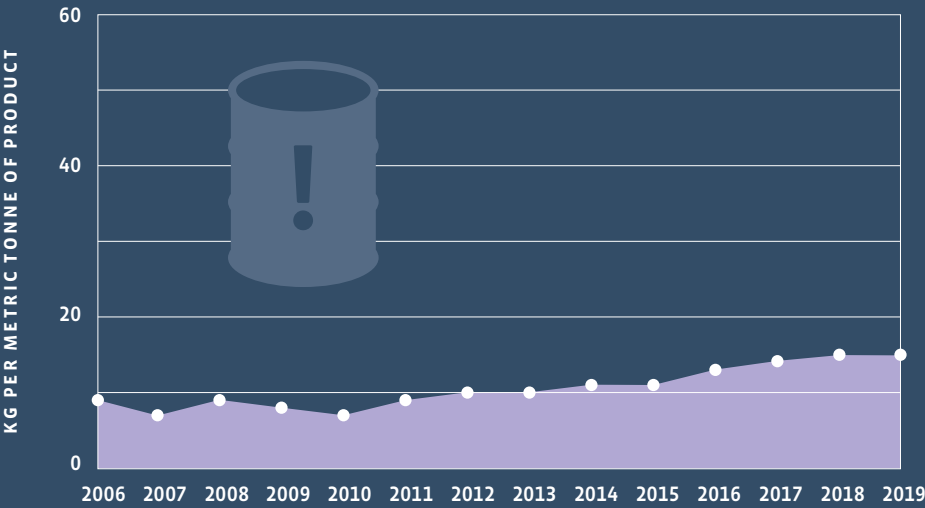
WATER USE

-  **3.54M³** per metric tonne of product
-  **1%** reduction since 2018
-  **53%** reduction since 2006 baseline year



HAZARDOUS WASTE

-  **15KG** per metric tonne of product
-  **6%** increase since 2018
-  **74%** increase since 2006 baseline year



Verified Performance

EcoVadis Gold Medal

In January 2019 we were awarded Gold Medal status for the first time and are among the top 5% of all companies rated by EcoVadis. Our management systems, policies and practices were reviewed for the third time by the EcoVadis supply chain sustainability platform. The platform independently evaluates and benchmarks a company's sustainability performance across environmental, labor and fair business practices.



CDP Climate and Water Scores Improve to Management level

We were pleased to receive a CDP climate score of B and water score of B-, placing Innospec for both assessments at the Management level. This year-on-year improvement reflects the coordinated action we are taking on climate and water issues. Our Climate score was better than both the North America regional average, and the global average of C. We were also pleased to score an 'A: Leadership' score in the Governance section of the climate assessment, demonstrating our corporate commitment to addressing climate change.



CLIMATE CHANGE
PERFORMANCE BAND SCORE

MANAGEMENT
(ABOVE PROGRAM GLOBAL
AVERAGE SCORE OF C:
AWARENESS)

B

SUPPLIER ENGAGEMENT
PERFORMANCE BAND SCORE

MANAGEMENT
(ABOVE PROGRAM GLOBAL
AVERAGE SCORE OF C:
AWARENESS)

B-

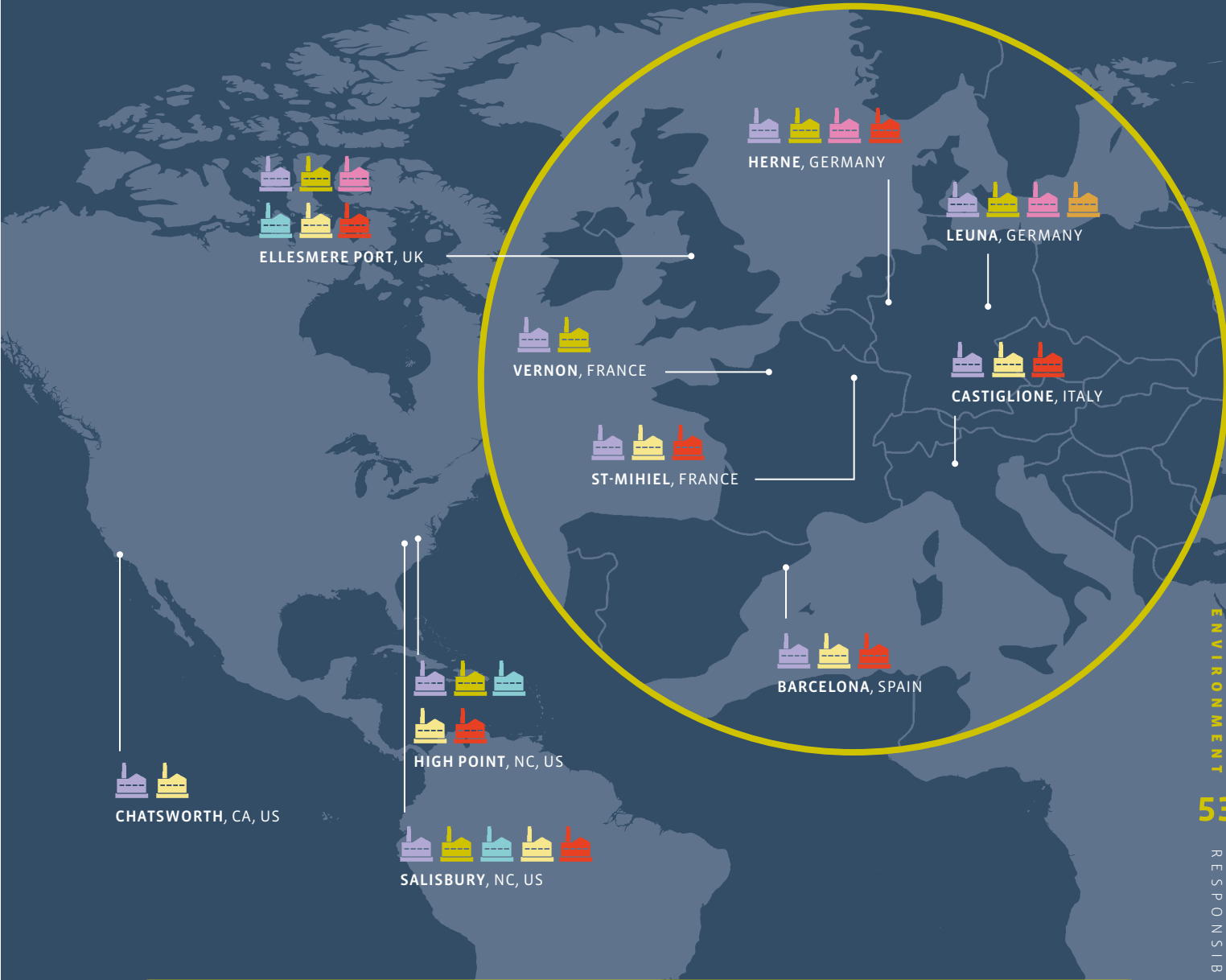
WATER SECURITY
PERFORMANCE BAND SCORE

MANAGEMENT
(AT PROGRAM GLOBAL
AVERAGE SCORE OF B-:
MANAGEMENT)

B-



SITE THIRD-PARTY CERTIFICATION



CERTIFICATIONS

Quality ISO 9001	Safety ISO 45001	Manufacturing EFCI GMP ISO 22716
Environmental ISO 14001	Safety OHSAS 18001	RSPO MB Supply Chain
Energy ISO 50001		

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.

Energy Use and Greenhouse Gas Emissions



100% renewable electricity to be purchased by European manufacturing facilities from 1 January 2020.



314 metric tonnes of CO₂ emissions offset to compensate for business flight travel.



6,000 trees planted as part of ecotherm® futur product reforestation donation program.



Herne, Germany, and Vernon, France, maintain their carbon neutral energy status.



New energy saving projects introduced reducing annual energy consumption by over 2,961MWh and 718 tonnes of CO₂ reduction.

“In 2019, we are pleased to see continual improvement across energy use and GHG emissions, both per metric tonne of product and absolute emissions. The reduction has occurred while our production has increased. Since our 2006 baseline year, our water used per metric tonne of product has reduced by 53%, which has been a great success for the company. Although hazardous waste has increased by 6%, it is important to highlight that the intensity metric is small with just 15kg of waste being produced per metric tonne of product produced.”

PETER SHIELDS, GROUP SAFETY, HEALTH AND ENVIRONMENT DIRECTOR

We understand the important contribution that businesses can make towards reducing global GHG emissions. Our climate change position statement, first published in 2015, is available on our website and sets out our commitment to reducing GHGs. We have made significant reductions in our energy use and carbon emissions since our 2006 baseline year. We have continued to deliver a range of activities and investments to further increase our energy efficiency and reduce our GHG emissions.

During 2019, a range of initiatives took place across our manufacturing facilities including:

- Efficiency improvements made to the hot and cold-water pumping systems at our Leuna site in Germany, saving 498MWh per annum.
- Replacement of old fluorescent lighting with more efficient LED lighting at Salisbury, NC, US, has reduced the lighting energy use by 75%.
- Switching to a Combined Heat Power system through our steam production contractor at our St-Mihiel, France, site. The electricity produced by the gas turbines is sold back to the national grid and the heat generated by the facility is used on-site, reducing energy requirements by over 2,000MWh over a five-month period.
- Our facility in Barcelona, Spain, reduced its site energy intensity in 2019 by 4% through a range of initiatives including reducing steam leaks, introduction of steam trap inspections, heat loss assessments using infrared technology and replacing old lighting fixtures with LEDs.
- At Ellesmere Port, UK, work continued on the rationalization and improvements to the site's electrical infrastructure. New switchgear and two new low-loss transformers were purchased ready for commissioning in early 2020. The investment is expected to save 146MWh annually, equivalent to 41 metric tonnes of CO₂. In addition, outdoor lighting rationalization and replacement with LED lights will save 16MWh per year. The site has also diverted waste activated carbon to a local handling route in rather than overseas, helping reduce transportation by 6,200 miles, equivalent to seven metric tonnes of CO₂ per year.
- Our Salisbury, NC, US, site is located close to the national rail route. We are working with the rail provider to service the site with a rail network in 2020 in order to reduce the transport of products by road and the associated emissions.





Carbon Offsetting

ecotherm® pro natur improves the stability and gives cleaner combustion of light heating oil, alongside a carbon offsetting program enabling our customers to offer carbon neutral premium heating oil to their customers. Innospec has committed to offset CO₂ emissions from every liter of treated fuel sold. To offset 2018/19 sales, we purchased 80,400 carbon certificates that support a hydro energy project in Uganda, and wind and solar projects in India.

Our manufacturing facility in Herne, Germany, maintained its carbon neutral energy status in 2019. The site commissioned an external consultancy to calculate the amount of GHG it generates and purchased 14,000 carbon certificates to offset 2019 and 2020 energy usage. The purchase of these certificates continues our support for two renewable energy projects involving hydropower in Uganda and wind turbines in India.

For the sixth consecutive year, our Vernon manufacturing facility in France has offset the GHG emissions associated with its energy usage. The site partnered once again with local organization “Forest and Life”, supporting the planting of 172 trees through the organization’s Togo program. The program not only helps to restore areas affected by deforestation, but it also supports the local population through the provision of access to water, nutritional food programs and the creation of local jobs.

ecotherm® futur Donation Funds Reforestation Program

Our Fuel Specialties business makes a donation to the German Association for the Protection of Forests and Woodland for every liter of ecotherm® futur sold. For 2019 sales, we donated over €12,000, making a total of over €344,000 since the partnership began in 2008. The 2019 donation was used by the Association to plant a further 6,000 trees in a forest in Herne. The trees will replace those lost and damaged during 2018’s heavy storms and a forest fire caused by high summer temperatures.

All European Manufacturing Facilities to Purchase 100% Renewable Electricity from 2020

In 2019, we worked with an independent third party to assess our European electricity suppliers and explore the possibility of sourcing all our manufacturing electricity requirements from renewable sources. Following a review of international energy providers and sources of renewables, the EMEA Supply Chain team developed a proposal for all European sites to switch to using renewable electricity. The proposal was agreed by the businesses and contracts put in place for all European manufacturing plants to be supplied by renewable electricity from 1 January 2020. Going forward this is estimated to reduce the overall group Scope 1 and 2 GHG emissions by approximately 33% per year.

Energy Reduction

A dedicated energy reduction fund has been made available every year since 2016 for capital equipment investment projects that support energy, water and waste reduction. Recognizing that the majority of obvious improvements have already been achieved, the fund focuses on 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) and led by corporate engineering.

The fund targets projects that could help deliver our 2019 to 2020 objective of achieving a 2% (1,104 metric tonnes) reduction in our Scope 1 and 2 emissions, based on a 2015 baseline, by the end of 2020.

In addition to the pipeline of energy reduction capital investment projects, the ERG also encourages and supports local initiatives. The ERG coordinates the sharing of information and learning from across the sites through regular communication and best practice meetings.

In 2019, the company invested in a number of projects that were forecasted to reduce annual energy consumption by over 2,961Mwh and reduce our total group Scope 1 and 2 emissions by 718 metric tonnes CO₂ equivalent. Energy reduction projects introduced in 2019 included:

- ▶ At our Midland, US, site, replacement of old fluorescent lighting with new LED fixtures, including 16 1000W flood lights, with a total estimated savings of 46 metric tonnes CO₂eq per year.
- ▶ Castiglione, Italy, reduced energy consumption by increasing the efficiency of air compression at its Sulfuric Acid Plant, saving 40 metric tonnes CO₂eq per annum.
- ▶ Condensate handling improvements at our Salisbury, NC, US, site included the upgrade of pumps, traps, piping and insulation for eight bulk tanks saving 280 metric tonnes CO₂eq per year.
- ▶ Insulation of steam valves at our site in Vernon, France, will help reduce point heat loss by 90% and the insulation of pipes will reduce loss by 85%, together saving over 36 metric tonnes CO₂eq every year.
- ▶ St-Mihiel, France invested in roof improvements and better insulation to reduce heat loss and save 8 metric tonnes CO₂eq per year annually.





Water

Through our engagement activities, we understand that water management is important for a number of our stakeholders and we recognize the value of using water responsibly and reducing waste. Although none of our facilities that use water in the production process are located in water constrained areas, we make sure that we use this valuable resource as carefully and efficiently as possible.

“Minimizing the impact on the environment has been a long-standing value of the company’s Responsible Business Strategy. We actively look for ways in which the products we develop and supply can help contribute to protecting the environment wherever possible.”

WILLIAM MOUNSEY, GLOBAL COMMERCIAL DIRECTOR, PERFORMANCE CHEMICALS

A number of sites made some good reductions in water usage in 2019. However, these were largely offset by gains at other facilities resulting in an overall 1% decrease in water consumption when compared with 2018. Our manufacturing plants at Ellesmere Port, UK, and Herne, Germany, both experienced significant water leaks in aging underground pipework that have since been repaired. Water usage at Ellesmere Port was also impacted by increased decommissioning activities that use water for dust spray down and cleaning. Our Leuna, Germany site experienced efficiency issues with their plant process cooling system during the summer period, which led to an increase in use.

We are now using 53% less water per metric tonne of product in our manufacturing process than we did in the 2006 baseline year. 2019 activities that helped to reduce our water consumption and improve the quality of wastewater discharged from our sites included the following:



Salisbury, NC, US, invested in a 70,000-gallon Dissolved Air Flotation (DAF) wastewater treatment process to replace an aging gravity clarifier. The new DAF unit ensures the site maintains compliance with its discharge permits, removing solids and improving waste water quality.



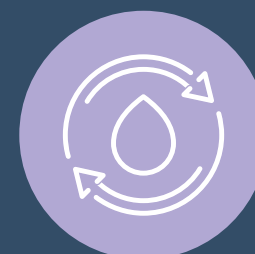
Barcelona, Spain, has implemented a leak detection program for steam and water used in the reaction cooling and heating systems. The site is also minimizing water usage by switching from water to steam cleaning and ensuring efficient pressure settings are used.



Castiglione, Italy, introduced a water consumption monitoring program and has used the data obtained to identify a list of targeted water reduction projects to take forward in 2020.



Leuna, Germany, made improvements to the monitoring of condensate intake and release to avoid any uncontrolled use of water.



Oklahoma, US, is reusing all flush and cooling water onsite reducing the need for fresh water.



A new rainwater collection upgrade project at our **St-Mihiel, France** site will ensure rainwater is collected and reused on site by pumping it through the site’s biopant.



Herne, Germany, has installed steam meters to help monitor and target projects for water and energy reduction.



Our Performance Chemicals business continues to explore opportunities to create concentrated and solid versions of surfactants to reduce the amount of water required during manufacture and use.

Hazardous Waste

Overall, we saw a 6% (0.8kg) increase in our global hazardous waste generation per metric tonne of product in 2019 when compared to 2018. However, the amount of hazardous waste produced remains small at 15kg per metric tonne of product. Two main factors were predominantly responsible for the increase: changes in product mix and a weakened recycling market.

Our Herne, Germany, and Vernon, France, sites both saw an increase in amount of hazardous waste generated due to changes in the product mix in 2019. In addition, our North Carolina manufacturing facilities in the US saw the market for recycling waste solvent materials weaken significantly during the year. By-product material that was previously sold as an alternative to virgin raw solvent material instead had to be sent for offsite recovery as a hazardous waste.

2019 activities that helped to reduce waste across our sites and prioritize recovery and reuse included the following:

- ▶ Our Herne, Germany, and Ellesmere Port, UK, sites recycled 3,820 product and raw material IBC containers helping to save over 148 metric tonnes of steel, 57 metric tonnes of plastic and 390 metric tonnes equivalent of CO₂.
- ▶ Herne, Germany, has also minimized hazardous waste production by removing methanol as a solvent used in the manufacturing process of a key fuel additive product, reducing the amount of effluent disposed by 77%.
- ▶ Recycling of material from demolition of a former mercury cell hall building recovered 1,745 metric tonnes of steel and three metric tonnes of lead that were sent off-site for recycling.
- ▶ Midland, TX, US, has installed additional containers to improve the recycling of its non-hazardous waste.
- ▶ Castiglione, Italy, has reduced the sludge and acid waste produced by one of their main production plants through the implementation of organizational and managerial improvements, increasing the awareness of operators, optimizing the product mix production processes and upgrading the waste production monitoring system.
- ▶ St-Mihiel, France, has improved the removal of sludge extract from its bioplant to prevent its discharge into the environment.



Demolition and Recycling of Redundant Manufacturing Buildings

A former mercury cell hall building previously used to manufacture chlorine at our Ellesmere Port, UK, site had been decommissioned in the late 1990s. Over time, the building had deteriorated and, as part of our commitment to ongoing site improvements, it was selected for demolition in 2019 with the aim of maximizing the reuse and recycling of any waste materials generated.

The first stage of the project was to identify and address any historic residual contamination remaining from the previous manufacturing process. Once the building had been successfully decontaminated, the project moved on to the demolition stage. In total, 1,745 metric tonnes of steel and 3 metric tonnes of lead were recovered and sent for recycling. In addition, over 5,000 metric tonnes of concrete was recovered, crushed and reused on site to infill new road structures.

European Sites Focus on Sustainability in the Supply Chain

Sustainable business practices are quickly evolving and we recognize the importance of ensuring that our employees are kept up to date. Our EMEA Purchasing and Supply Chain Sustainability Manager, Bert Carter, has attended a number of training programs in 2019 with the Cambridge Institute of Sustainability Leadership (CISL) and the UK's Open University (OU) to understand the latest trends. These included the CISL Sustainability Essentials for Business course and the OU Supply Chain Sustainability and Climate Change courses.

Identified best practice has been brought back to the business and shared with the newly established Supply Chain Sustainability Group. The group, made up of representatives from all our European sites, act as ambassadors, responsible for identifying opportunities to help improve the sustainability of business practices within their locality.

The team have generated a pipeline of ideas and initiatives, with a number already implemented in 2019 including:



Supporting the switch of all European manufacturing sites to 100% renewable electricity.



Running five workshops for 44 purchasing and supply chain employees to help increase awareness and understanding of current sustainability programs and initiatives and encourage the identification of new opportunities within their areas.



Exploring opportunities to increase sustainability of logistics and production of carbon neutral products.



Encouraging the use of reusable dinnerware and replacing single use plastic catering products with biodegradable alternatives at our largest manufacturing facility, Ellesmere Port in the UK, reducing waste and resources.



GOVERNANCE

LEADING BY EXAMPLE

We have established a clear and effective governance structure to ensure that we uphold a high standard of corporate and business integrity across all of our activities. Our team of highly experienced legal and compliance experts advise on a wide range of issues, from anti-corruption measures to export controls and trade sanctions. We also have a team of external advisors that provide additional support on specific issues including due diligence, where required.

TRANSPARENT AND HONEST

A number of our key corporate governance policies are publicly available online at: www.innospecinc.com/about-us/corporate-governance

Legal Compliance

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-party representatives (including agents, distributors and consultants), suppliers and other stakeholders behave legally, responsibly and ethically.

During 2019, we reviewed and updated a number of legal compliance policies and procedures including our data protection policy and compliance screening requirements. We ensured that employees were updated on our latest guidance for compliance screening of our suppliers, product sample recipients and visitors to our sites. In addition, we reviewed and updated the following:

- ▶ **Policy Review Schedule**
- ▶ **Code of Conduct (previously Code of Ethics)**
- ▶ **Mergers, and Acquisitions, Joint Ventures and Consortia Protocol**
- ▶ **Nominating and Corporate Governance Committee (NCGC) Charter**
- ▶ **Competition Law Policy**
- ▶ **Third Party Representative Compliance Approval User Guide**

We have continued our focus on data protection in 2019, ensuring that we maintain employees' and Third Party providers' awareness of compliance with the General Data Protection Regulation (GDPR) and related local legislation introduced in 2018.

In 2019, we developed an Innospec Supplier Code of Conduct. The Code was established to ensure that all suppliers, service providers and other contractors are clear on our expectations regarding business conduct across compliance; business integrity; human rights; safety, health and the environment. The Code is available on our website and is referenced in our standard purchase terms and conditions.

Internal Business Assurance Auditing

To support the existing rigorous external and internal business assurance audits, our Legal Compliance team conducts a number of compliance related audits each year with the objective of:

- ▶ **Monitoring compliance with various policies and procedures, particularly in relation to anti-bribery and anti-corruption and also export controls and trade sanctions;**
- ▶ **Assessing the related risks and making recommendations on how to further improve compliance; and**
- ▶ **Mitigating any identified risks.**

In 2019, legal compliance audits took place at our sites in China, Brazil Castiglione, Italy and our Oilfield Services business in EMEA and AsPac. In addition, an independent external counsel audited our agent in Iraq.



Governance Committees and Groups

Our compliance program and performance status are regularly reported to the Nominating and Corporate Governance Committee (NCGC), a sub-committee of our corporate Board that meets quarterly.

In addition, key compliance issues are shared and discussed by the Compliance Steering Group (CSG) who also meet quarterly following the NCGC,

ensuring that their feedback is promptly fed back into the business. Members of the CSG include our Chief Compliance Officer, Global Compliance Counsel, Head of Business Assurance and other senior business managers and members of Innospec's commercial and Legal Compliance teams. Our senior Vice President of HR also joined the CSG in 2019.

Our Board governance sub-committees are set out below:



Nominating and Corporate Governance Committee (NCGC)
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.

Audit Committee
Provides oversight of the Board's responsibilities relating to the integrity of the company's 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.

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.

Compliance Training

We develop and deliver online training on various aspects of legal compliance, including ethics, data protection, anti-bribery and anti-corruption and protecting confidential information to ensure a good understanding of the rules and related risks as they apply to our business. We also deliver training in other relevant areas, including export controls and trade sanctions, fraud awareness, money laundering and competition law.

In 2019, we recorded a completion rate of 98% for all employee compliance training. Our third-party completion rate was 86% for the year, with no contracts terminated or put on hold for failure to complete mandatory training on time.

Legal Compliance courses released to Innospec employees in 2019:

- ▶ Code of Ethics
- ▶ Global Anti-Corruption & Anti-Bribery
- ▶ Personal Data Protection
- ▶ Fraud Awareness
- ▶ Competition Law/Anti-Trust
- ▶ Trade Compliance
- ▶ Gifts & Hospitalitys
- ▶ Modern Slavery



2,103
EMPLOYEES ENROLLED IN THE COMPLIANCE TRAINING AND CERTIFICATION PROGRAM



6,599
LEGAL COMPLIANCE COURSES COMPLETED BY INNOSPEC EMPLOYEES



465
INDIVIDUALS FROM THIRD PARTIES ENROLLED IN THE COMPLIANCE TRAINING AND CERTIFICATION PROGRAM

Treating Everyone with Dignity and Respect

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.



Whistleblowing Procedure

A confidential whistleblowing service is available to all employees, operated by an independent third party, using local call numbers and online access. Where local laws allow, the service is also anonymous. All reports received are investigated by one or more senior managers, who then recommend and oversee the appropriate course of action required. In 2019, no reports were received via the whistleblowing service.

Managing Third Parties Responsibly

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 are wholly aligned with our core values and standards.

All potential customers and suppliers are compliance screened to ensure that they are not currently on any global sanctions or debarred lists. We also undertake compliance due diligence on our agents, distributors and certain consultants (Third Party Representatives). The level and frequency of due diligence conducted depends on risk factors such as the nature of the relationship with the Third Party Representative, territory of operation and business division. We routinely put accounts on hold where there are any compliance related concerns and only release them when the issues are resolved. We will also terminate contracts for compliance related reasons where necessary. We did not find cause to terminate any contracts for compliance related reasons during 2019.

ComplianceDesktop

Our automated compliance due diligence platform, ComplianceDesktop, enables all Third Party Representative due diligence to be conducted online, ensuring increased traceability, visibility and efficiency. In 2019, we moved to a new version of the platform that provides enhanced features, further improving its efficiency and ease of use.



All medium and high risk Third Party Representatives are required to complete our anti-corruption online compliance training. We required 73 individuals from various Third Party Representatives to complete our 'Global Anti-Corruption and Anti-Bribery' online training course during 2019. If training is not completed within a specified timeframe, we withhold approval for the appointment of that Third Party Representative or place their account on hold, meaning that no sales orders can be processed, or work commissioned. If training is still not undertaken within a reasonable extension period, the relationship is terminated. No Third Party Representative contracts or accounts were terminated in 2019 due to failure to complete mandatory compliance training.

Innospec and Palm Oil

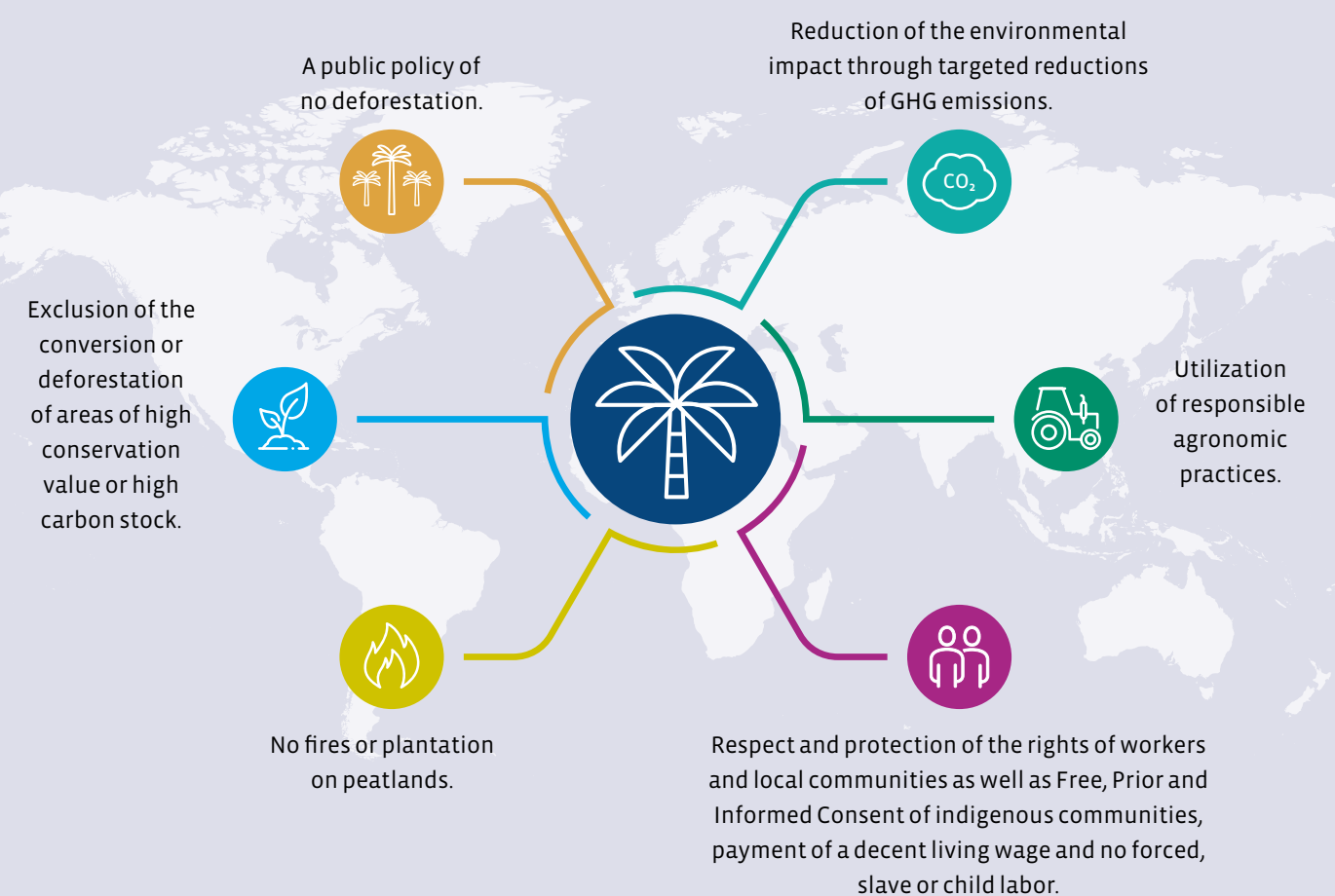
At Innospec, we use relatively small volumes of palm oil and palm kernel oil derivatives in a number of our products, for example, within the Iselux®, Pureact, Empicol®, Empigen® and Empilan® ranges. Palm products are a valuable natural resource sourced from high-yielding and land-efficient plantations. However, we recognize that increasing demand for palm oil and palm kernel oil has led to the rapid expansion of palm oil plantations, which in turn has had an adverse effect on the environment and the local communities living in these areas.

As an Ordinary member of the RSPO (Roundtable on Sustainable Palm Oil) since 2013, we have a long-term commitment to the responsible sourcing of palm-based raw materials. Demonstrating this commitment, all applicable Innospec 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.

Our Sustainable Sourcing of Palm Oil and Palm Kernel Oil Policy defines our commitments and the steps we are taking towards ensuring that our products are produced only from sustainable palm sources. Our policy, implementation action plan, progress report and Palm Grievance Procedure are available at <https://innospecsustainability.com/environment/sustainable-sourcing>.

We continue to work with our suppliers to ensure that all palm-based materials we procure will be from sustainable sources that comply with NDPE compliance (no Deforestation, no Peat, no Exploitation) based on the following:





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. Our sales teams and global distributors receive training and guidance on the RSPO certification process and its requirements, encouraging them to promote the sale of our RSPO MB certified products.



RSPO – 1106327
Check our progress at
www.rspo.org/members/2156

Supply Chain Transparency

Increasing the transparency of our supply chain helps us to highlight any differences and potential opportunities for improvement between our commitments and those of our suppliers. In 2019, we continued our transparency and risk-mapping exercise that uses an established methodology endorsed by external stakeholders, rating agencies and coalitions. For 2018's palm volumes, we achieved 99% transparency to the refineries, 92% to the mills and 11% to the plantations. In 2018, we doubled the volume of palm oil and palm kernel oil derivatives handled from almost 16,000 metric tonnes in 2017 to 37,500.

We also increased the number of suppliers by 50% when compared to 2017. This led to the introduction of a number of new suppliers, yet to engage in the transparency process. As a result, our transparency results at the mill and plantation levels were lower than the previous year. We are committed to undertaking the analysis of our supply chain annually and in 2020 we will be working with our suppliers to achieve full transparency at mill level.



ASD
ACTION FOR SUSTAINABLE DERIVATIVES

Action for Sustainable Derivatives

We are pleased to be part of the new collaborative initiative 'Action for Sustainable Derivatives' (ASD) that is working to maximize transparency and sustainability throughout the supply chain for palm and palm kernel oil derivatives. As a member of this cross-industry collaborative initiative, we look forward to accelerating action towards deforestation-free and responsible sourcing of palm products. ASD aims to create global, transparent mapping of the palm derivatives supply chain and to harmonize approaches on transparency, risk monitoring and evaluation.

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 65,000 global companies in over 160 countries. Our own rating increased from Silver to Gold in 2019, putting us in the top 5% of all suppliers evaluated and in the top 9% of all chemical companies assessed globally.

Our supplier evaluation process incorporates EcoVadis assessments into our purchasing and procurement systems and is a requirement for all raw material suppliers. In 2019, we invited 190 suppliers to complete EcoVadis assessments covering 98% of our annual spend on raw materials. We recorded an impressive 84% response rate from the suppliers targeted, with an average score of 57.4, comparing favorably with the EcoVadis average of 42.5.

Working with EcoVadis to Help Raise Awareness of the Importance of Sustainability in the Supply Chain

Our Group Sustainable Development Manager, Helen Coy, jointly presented with EcoVadis at the 2019 SCS Formulate exhibition and conference. The annual exhibition is the UK's largest event focusing on raw materials, ingredients and formulations for the personal care and cosmetic industry. The presentation helped raise awareness on the increasing importance of supply chain sustainability in the chemicals sector. We shared our experiences as both a supplier and customer using the EcoVadis platform.

ecovadis

“Sustainability in the supply chain is now a material issue for many organizations. It is important to establish the level of performance and risk of a company's suppliers across a range of areas including the environment, labor and human rights, fair business practices and ethics and sustainable procurement. Evaluating our suppliers has enabled us to monitor and compare the performance of our suppliers in a standardized and reliable way. It enables us to work with our suppliers to ensure they are aligned with our business ethics and approach.”

HELEN COY, GROUP SUSTAINABLE DEVELOPMENT MANAGER

Conflict Minerals

We are committed to the responsible sourcing of materials, which includes any conflict minerals that are '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, including our Conflict Minerals Disclosure and report for the calendar year ending 31 December 2019, is published on our website and sets out our expectations of suppliers and customers.

LOOKING FORWARD

HEALTH AND SAFETY	SOCIAL	ENVIRONMENT	GOVERNANCE
<p>Protect the health, safety and welfare of employees and third parties.</p> <p>Implement the second phase of our global corporate health and safety behavioral program, Journey to Zero Harm (JTZH), to all non-manufacturing employees.</p> <p>Manufacturing locations to ensure that the JTZH program remains current and embedded.</p> <p>Reduce the number of Loss of Containment events.</p> <p>Maintain the focus on the implementation of and compliance with the corporate process safety standards.</p>	<p>All manufacturing facilities to take part in at least one team Volunteering Day event and submit one team Match-Funding application.</p> <p>Increase the transparency and understanding of Innospec's palm-based raw material supply chain, targeting 100% at the mill level by 2020.</p> <p>Support the development and growth of the Action for Sustainable Derivatives initiative.</p>	<p>Reduce Greenhouse Gas Scope 1 & 2 emissions by targeting projects that will deliver the equivalent of a 2% saving by the end of 2020 (based on 2015 baseline).</p> <p>Move to renewable electricity sources at European manufacturing facilities and establish viable options for US facilities.</p> <p>Explore options to achieve carbon neutral status for all remaining non-renewable energy sources used at manufacturing sites.</p> <p>Identify and evaluate further water reduction projects.</p> <p>Review waste handling, maximizing recycling, re-use and recovery routes.</p>	<p>Review and revise our global compliance-related performance objectives as appropriate.</p> <p>Launch and communicate Innospec's Supplier Code of Conduct.</p> <p>Implement a formal palm oil supply chain grievance process and procedure.</p> <p>Engage with suppliers, where identified, to encourage improvements in their sustainability practices.</p>

Assurance Summary Statement 2019

Jacobs has conducted an independent assurance review of Innospec's 2019 Responsible Business Report in accordance with AccountAbility's AA1000 Assurance standard 2018. This involved assessing Innospec's adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact 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.

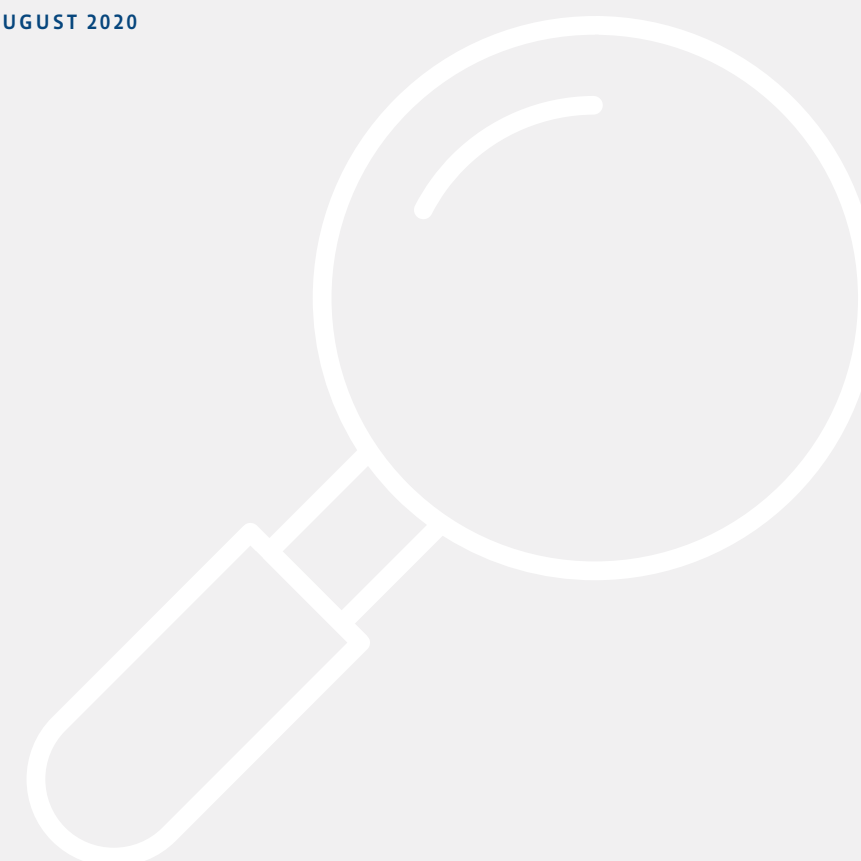
Jacobs

AA1000
Licensed Assurance Provider
000-79

This is the fifth year assurance has been undertaken in accordance with the AA1000 Standard, and the first in accordance with the updated 2018 version. Our approach has built upon our previous assurance processes, taking a sample approach based on consideration of previous years' sampling, materiality and risk.

Our Assurance Statement plus our recommendations for further development can be found on Innospec's website www.innospecinc.com.

JACOBS, MANCHESTER, AUGUST 2020



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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, please contact the Ellesmere Port site using 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

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