




2020 **responsible business** report



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Interactive navigation

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economic

Interactive links

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Statement from our CEO

Welcome to our 2020 Responsible Business Report.

Proud of our achievements

Since the start of 2020 the world has been subjected to widespread economic and social disruption as a result of the global pandemic. COVID-19 continues to bring national lockdowns, dramatic falls in worldwide demand, market uncertainty, social distancing and changes to travel and working practices.

This has had a significant impact on our business and presented us with fresh challenges on a daily basis. We moved quickly to establish new ways of working that would keep our people safe and ensure continued connection with our customers. A new IT infrastructure was put in place to allow people to collaborate in a virtual space and work irrespective of geographical location. Multi-discipline teams were enhanced to pool our collective expertise and find solutions to these new challenges. Put simply, we found different ways to continue operating at a high standard and we are very proud of what we have achieved.

Innospec family

It is important for us to recognize the contribution that our employees and their families have made to Innospec during these difficult times. I would like to take this opportunity to pay tribute to those who lost loved ones, those who battled through sickness and to all of our team for their continued commitment to the company.

Our successes in 2020 enabled us to continue to make progress towards our goal of building a sustainable business. We want to ensure our business and suppliers operate responsibly, using less of the world’s resources and to minimize the collective impact of ourselves and our customers on the environment. At the same time, we believe in investing in the communities where we live and work to help them flourish, whether raising money for good causes, donating our time or supporting educational programs for the next generation.

ESG responsibilities

Sustainability is an integral component of our decision-making process. We want to be profitable and successful for our shareholders, but we are always mindful of our environmental, social and governance responsibilities (ESG). That’s how we have built a business capable of adapting to new opportunities and challenges.

We measure our performance and report in detail so we can keep raising the bar and improving. For example in 2020 we continued to reduce our absolute greenhouse gas (GHG) emissions and we were externally recognized for our good safety performance. We also achieved the EcoVadis Gold Medal for the second year running for making further improvements to our sustainability program and performance.

How we have developed

Our core businesses continued to develop organically in 2020 and our financial performance under the circumstances was impressive. In 2020, we also took the final steps to responsibly exit the Octane Additives business. Now that all our refinery customers have made the transition to unleaded motor gasoline, the manufacture of TEL for this application is no longer required.

This report covers the many material issues we deal with on a daily basis. These issues range from the health, safety and wellbeing of our employees, through the stewardship of our products, to the steps we are taking to ensure our business is run ethically, with good governance and compliance to the highest standards. It sets out our goals and reflects on the progress we made towards them in 2020.

In summary, 2020 was a unique and challenging year, but we have continued to innovate and develop the new technologies that help our customers create better products with improved social and environmental outcomes.



PATRICK S. WILLIAMS
President and Chief Executive Officer





2020

At a glance

2020 proved to be an incredibly challenging year, but we succeeded in continuing to develop our businesses and we are proud of what we achieved. With the support and hard work of our employees, we were able to maintain the supply of our products, introduce new technologies and extend into adjacent markets. Listed below are some of the highlights of our year. You can find out more by clicking on the relevant link.

economic



US\$30m

Research and Technology (R&T) spend

As part of our US\$30.9 million spend in R&T, we developed our Knowledge Management initiatives for sharing information across all our global sites. A number of projects went live including our updated global Startup Authorization System (SuA) for new products.

[Find out more on page 11 >](#)

We were awarded the **‘Best Innovation Contributor Award’** at the annual Henkel Beauty Care awards for our work in developing solid products for hair and body care. We helped Henkel to launch a shampoo powder formula in record time. [Find out more on page 13 >](#)

Investment in our sites around the world in 2020 boosted our capability to manufacture and supply a number of key products. In Performance Chemicals, capital projects included capacity expansions for our industry-leading surfactants together with work on a global technology center in Salisbury, US. In Oilfield Services, capital projects included additional production capacity for our energy-saving Drag Reducing Agent technology in Pleasanton, US. [Find out more on page 12 >](#)

For the second consecutive year, we achieved the **EcoVadis Gold Medal** for our sustainability management system and performance. Achieving gold puts us in the top 5% of all companies rated in our sector globally. [Find out more on page 38 >](#)

High scores for sustainability
We again submitted CDP voluntary disclosure assessments for climate and water security achieving 2020 scores of B for climate, B- for water security and B- for supplier engagement. [Find out more on page 38 >](#)

environment

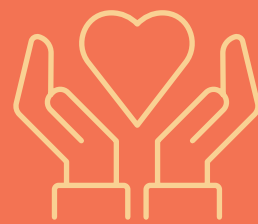
100%
Renewable electricity



In line with our commitment to minimize our impact on the environment with effect from 1st Jan 2020, all our manufacturing facilities now source 100% renewable electricity helping to reduce our absolute scope 1 and 2 emissions by 46% compared to 2019. Total waste sent to landfill reduced by 60%, with 70% of all waste generated being sent for reuse or recovery.

[Find out more on page 35 >](#)

social



5 years
Innospec Cares

We also celebrated the five-year anniversary of our Innospec Cares program. The total raised since its launch in 2016 stands at US\$863,000. During this time 452 employee applications have been received from 26 locations, helping to support 350 community groups and charities around the world.

[Find out more on page 31 >](#)

We completed the roll out of our **Journey to Zero Harm** behavioral safety program to all global employees. In 2020, our employees completed 8,661 safety interactions and 105,421 ‘60 Second checks’, helping to reduce the number of accidents by 15% compared to 2019. [Find out more on page 21 >](#)

We were pleased to announce the appointment of **Keller Arnold** as a Non-Employee Director to our Board. Keller brings valuable skills and experience in financial leadership, revenue growth and corporate development alongside an extensive knowledge of the specialty chemicals industry. [Find out more on page 27 >](#)

Through a new partnership with a leading provider of risk, compliance and ethics training, we delivered **5,700 compliance training courses** during the year to 1,956 employees achieving a completion rate of 99.72%. Our third-party completion rate for 217 individuals was 100% for the year. [Find out more on page 41 >](#)

Increased focus on **cyber training and awareness** saw 1,056 employees complete our Phishing Fundamentals course, 1,315 complete the Security Awareness Proficiency Assessment and 1,238 employees complete our security culture survey. [Find out more on page 44 >](#)

governance

94%
Palm mill transparency



In line with our commitment to use sustainable palm oil and palm kernel oil derivatives in our supply chain, we updated our Sustainable Sourcing of Palm and Palm Kernel Oil Derivatives Policy and developed and published a new Palm Grievance Procedure. Our annual transparency exercise demonstrated improved transparency levels at both the mill and plantation levels. [Find out more on page 42 >](#)



Inside Innospec

A global business

A brief profile of 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 1,900 employees in 24 countries, we manufacture and supply a wide range of products through our three business units: Performance Chemicals, Fuel Specialties and Oilfield Services. Our products are developed, manufactured and distributed from our operational locations in the Americas, Europe, the Middle East, Africa and Asia Pacific.

We benefit from a diverse customer base across a wide range of markets, including fuel additives, personal care, home care, agrochemical, metal extraction, industrial, oil, gas and pipeline 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 of education.

What you will find in this section of the report

- Overview of our three businesses >
- Our worldwide locations >
- The issues that matter most to our stakeholders >
- UN Sustainable Development Goals (SDGs) >
- How we engage with our stakeholders >
- Our strategic approach to sustainability >

Overview of our three businesses

Together our three core business units provide us with a strong, balanced portfolio of products spread across different market sectors.

Performance Chemicals

Performance Chemicals provides effective technology-based solutions for manufacturers of personal care, household products, agrochemical, metal extraction and other industrial applications. We focus on developing high performance products by leveraging our technology base and our intellectual property and patents in a number of targeted markets. We have been able to grow by developing and marketing innovative products combined with strategic acquisitions.



Fuel Specialties

Fuel Specialties develops, manufactures, blends, markets and supplies a range of specialty chemical products used in a wide range of fuels. These products help improve fuel efficiency, boost engine performance and reduce harmful emissions. They are used in automotive, marine and aviation engines, power station generators, and boilers running on heating oil. Our customers include national/multinational oil companies and fuel retailers.



Oilfield Services

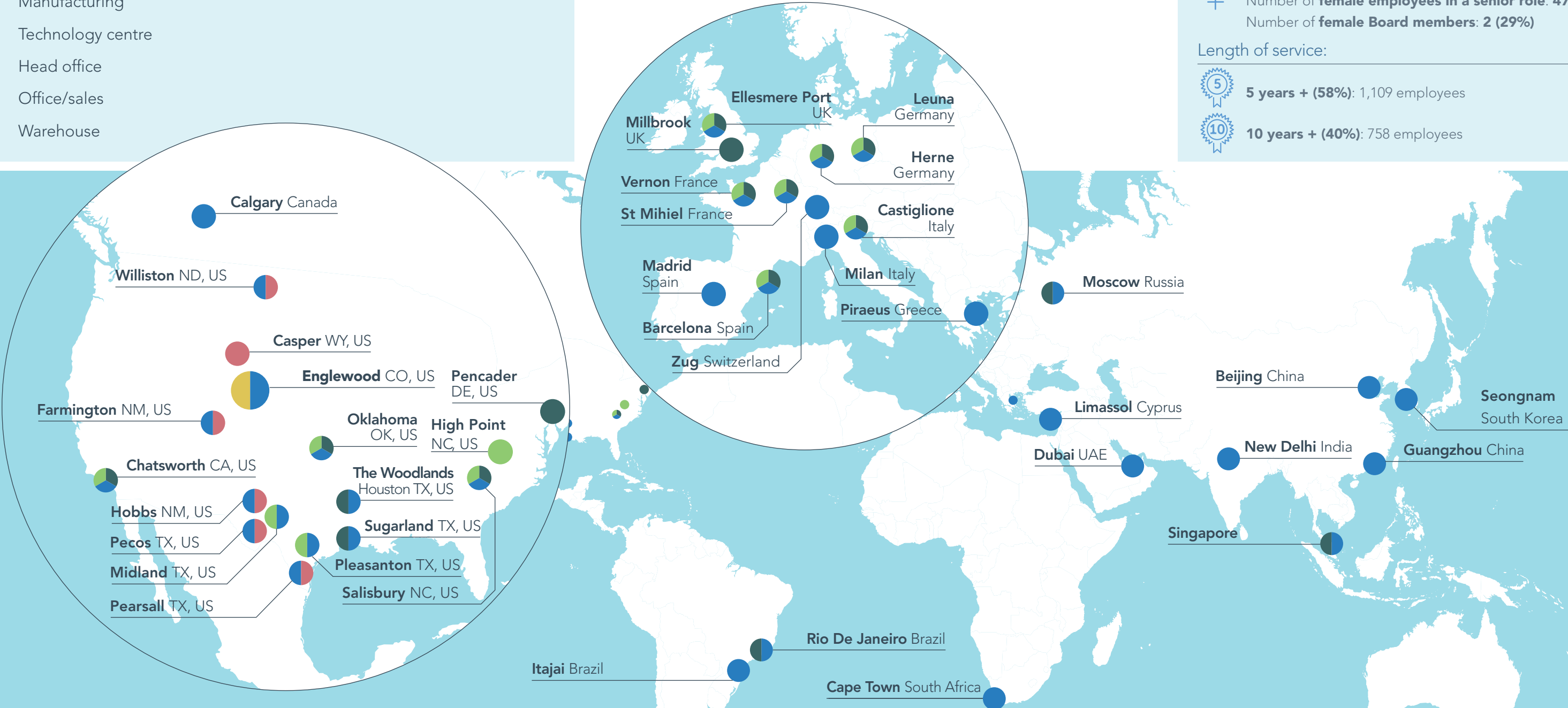
Oilfield Services develops and markets chemical solutions for use in the oil and gas industry, for fracturing, stimulation, completion, production and pipeline operations. Our products aid flow assurance and maintain asset integrity as well as prevent loss of mud in drilling operations. Our customers include multinational public and independent companies operating mainly in the Americas, but also in the Middle East and other areas of the world.



Our worldwide locations

Innospec is located in 24 countries across the Americas, Europe, the Middle East, Africa and Asia Pacific. Customers benefit from the strength of our worldwide manufacturing capabilities, our global distribution facilities and our world-class technology centers equipped with state-of-the-art equipment. In total we employ approximately 1,900 people. From our scientists and sales teams to our manufacturing engineers and technicians, supply chain managers, finance, legal, SHE and administration professionals, we benefit from having an experienced, dedicated and diverse workforce.

- Manufacturing
- Technology centre
- Head office
- Office/sales
- Warehouse



Employees

Approximately **1,900 employees** across **24 countries**

Male: 76%: 1,444 employees

Female: 24%: 464 employees
Number of **female employees in a senior role: 47 (26%)**
Number of **female Board members: 2 (29%)**

Length of service:

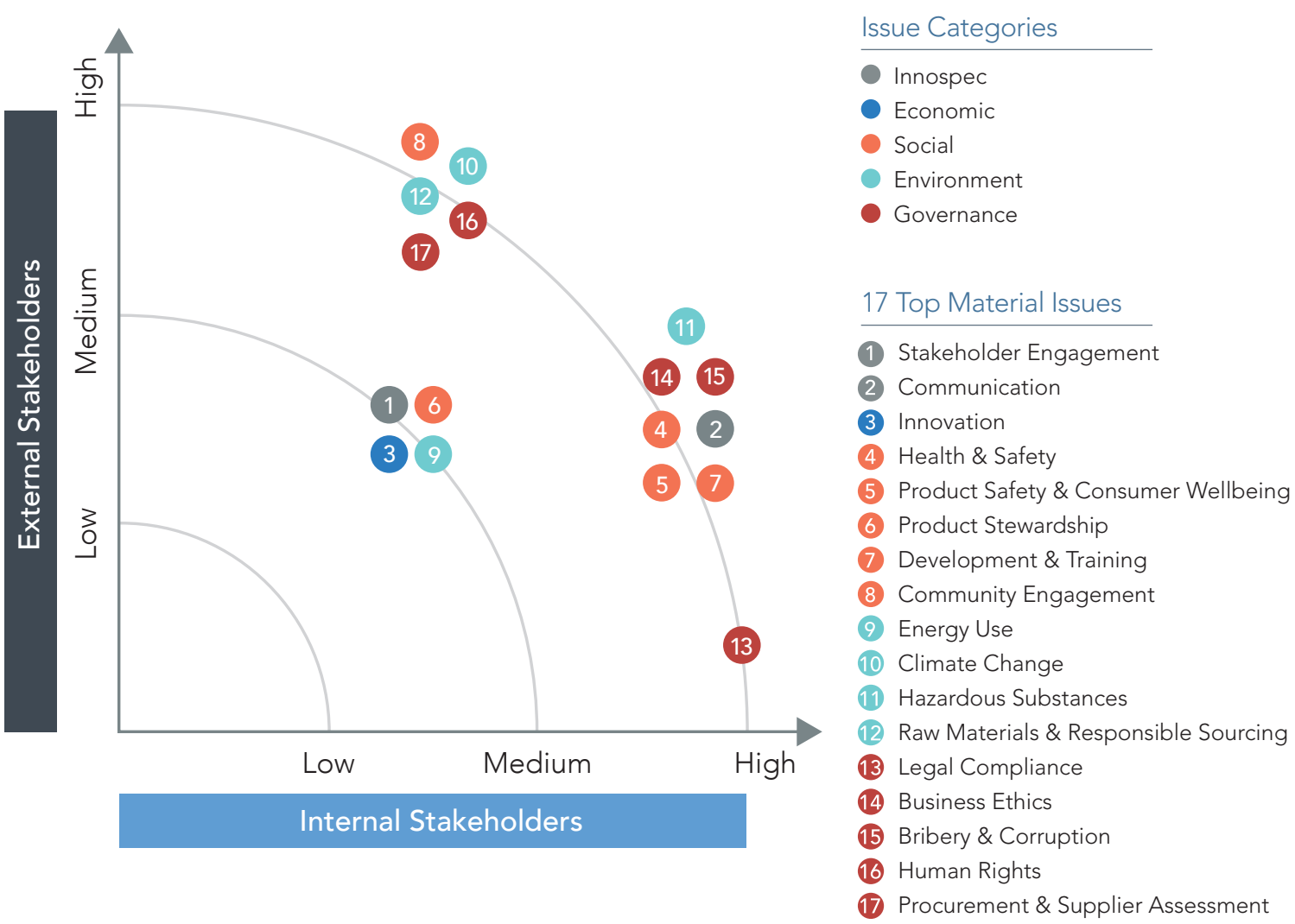
5 years + (58%): 1,109 employees

10 years + (40%): 758 employees

The issues that matter most to our stakeholders

Listening carefully to the concerns of our stakeholders helps us respond quickly to changes in market demand, product requirements, regulations and other issues that might affect them. That is why we spend time building relationships with our customers, suppliers, investors, employees and the communities that are close to our sites. We want to identify what matters most to them. This input underpins our strategy and reporting processes.

In 2017, we completed our first materiality assessment which identified 17 issues that matter most to our stakeholders. The chart below shows the relative importance of these issues to our stakeholders.



SUSTAINABLE DEVELOPMENT GOALS

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. We recognize that the private sector plays an important role in achieving the SDGs and support their implementation as a framework for sustainable business practices.

Our assessment shows that we directly contribute to 13 SDGs. Of these we have identified five which are most closely aligned to our activities.

These are; Decent Work and Economic Growth, Responsible Consumption and Production, Life on Land and Clean Water and Sanitation. We also contribute to the Climate Action goal indicators 13.1 and 13.2. We regularly review the SDGs to determine if we can increase our contribution to them.

The UN SDGs have been used to guide our 2020 materiality assessment and the evolution of our sustainability strategy and agenda. We will seek to evolve our existing sustainability initiatives to ensure we maximize our contribution.

SDG goals we contribute the most to:

6 CLEAN WATER AND SANITATION

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

15 LIFE ON LAND

[Learn more about the UN SDGs >](#)

The issues that matter most to our stakeholders

introduction 4

How we engage with our stakeholders



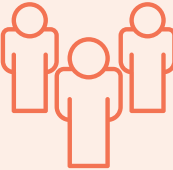




We consider our stakeholders to be those individuals or groups that influence our decisions and those who are influenced by our actions. We have developed various ways to engage with them both directly and indirectly. Some of these communications have been impacted by COVID-19 so where possible we looked for digital alternatives.

Stakeholders	Issues	Actions
Investors	Providing clear, transparent information to our investors demonstrates that we are managing a profitable and responsible business.	<ul style="list-style-type: none">• Materiality exercises.• Regular virtual investor conferences.• Virtual meetings with existing and potential new investors.• Proxy Statement.• Regular reporting.• Dedicated investor section on our new corporate website.
Customers	Identifying customers' current and future needs helps us to understand where we can add value.	<ul style="list-style-type: none">• Materiality assessments.• New corporate website launched.• Virtual meetings.• Webinars.• Regular online communication to help plan product demand.• Collaborating on sustainability programs including Roundtable on Sustainable Palm Oil (RSPO), Action for Sustainable Derivatives (ASD) initiative, CDP and EcoVadis.• Technical support services.• Questionnaires.
Supply chain partners	Working closely with our supply chain partners enables us to ensure that supply chain risk is managed effectively and allows us to identify opportunities to improve the sustainability and economic efficiency of our products and services.	<ul style="list-style-type: none">• Materiality assessments.• Supplier evaluation processes.• Virtual meetings on procurement and contract management.• Supplier site audits.• EcoVadis assessment (see page 43).
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.	<ul style="list-style-type: none">• Materiality assessments.• Online participation in webinars, policy forums and advisory groups.• Trade associations including CIA (Chemicals Industry Association), American Chemistry Council (ACC) and European Chemical Industry Council (CEFIC).

Stakeholders	Issues	Actions
Community members	Engaging with our local communities where we operate is essential to maintaining our reputation as a safe and responsible neighbor. It has a positive effect on community and employee relations. The pandemic impacted our ability to provide our normal number of work placements, graduate programs and internships. It also prevented us from hosting site open days and delivering lectures to local schools and colleges.	<ul style="list-style-type: none">• Local employment opportunities.• Virtual participation in local forums.• Safety action notices.• Innospec Cares Program (see page 31).• Business donations and sponsorship activities.
Employees	Engaging regularly with our employees provides an opportunity for us to listen and provide feedback on their individual needs and take onboard their views when determining the direction of the business. Communications with employees was particularly important in 2020 as we sought to reassure them about the pandemic and how we were responding as an organization.	<ul style="list-style-type: none">• Materiality assessments.• Ethics and compliance hotline.• CEO/CFO conference calls.• Direct communications via email and virtual team meetings.• Annual appraisals conducted via video link.• Safety, Health and Environment (SHE) Best Practice Group.• Resource Reduction Group.• Sustainable Development Network.• Intranet.• Online training courses.• Local Communicator Network.
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.	<ul style="list-style-type: none">• Membership of business and industry associations including RSPO, ASD and Trade Association Sustainability Networks.• Participation in CDP Climate and Water Security assessments. (see page 38).• Chairing of industry focus groups with meetings held online.

Our strategic approach to sustainability

Our sustainability strategy is broken down into four key areas: economic, social, environment and governance. We have been reporting on each of these strategic pillars since 2017. We focus on the specific areas where our actions will have the most impact on the long-term sustainability of our business.

Strategic pillar		Value	Focus areas
Economic		Responsible Growth 	<p>Financial Performance Generating economic benefits for our employees, shareholders and local communities.</p> <p>Innovation Encouraging innovation in product and application development and responding to customer needs to keep our businesses competitive and sustainable.</p>
Social		Caring for People 	<p>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 and operations.</p> <p>Employees Investing in the growth, diversity and development of our employees helps us to attract talent and achieve long-term success.</p> <p>Community Engagement Supporting local communities through education, fundraising and sponsorship opportunities.</p>
Environment		Conserving and Protecting 	<p>Minimizing Impact Seeking to understand and reduce the impact of our activities, while developing innovative products to help protect the environment.</p> <p>Product Sustainability Supplying safe, sustainable products, designed to meet the needs of society now and in the future, to help customers achieve their sustainability goals while minimizing the environmental impact.</p>
Governance		Leading by Example 	<p>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.</p> <p>Third-Party Management Ensuring our supply chain complies with legal, ethical and social requirements, while also finding opportunities for environmental improvement and economic efficiency.</p>

Economic

Growing responsibly

Our economic focus areas are:

Financial Performance

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

Innovation

Encouraging innovation in product and application development and responding to customer needs to keep our businesses competitive and sustainable.

What's next?

Accelerating our investment in organic growth and actively assessing potential strategic acquisitions will help further drive our sustainable business. Find out more about our strategy for the future.

Find out more on page 45 >



US\$30m

Research and Technology (R&T) spend

In 2020, we continued to invest heavily in our research and technology capabilities. This gives us a significant competitive advantage. Despite the pandemic we continued to launch a number of new products, formulations and technologies across all our core markets around the world.

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- Our review of Fuel Specialties in 2020 >
- Our review of Oilfield Services in 2020 >

Financial performance summary

Financial stability and growth are essential to maintain our commitment to making a positive contribution towards a more sustainable future. Although 2020 was a difficult year with the challenges of the pandemic and the resulting volatility in crude oil demand, we continued to make progress.

These challenges significantly impacted Fuel Specialties and Oilfield Services businesses as they suffered from a dramatic drop in customer demand. We had to respond to the global reduction in freight transport and passenger road miles as well as the widespread grounding of aircraft for a large part of the year.

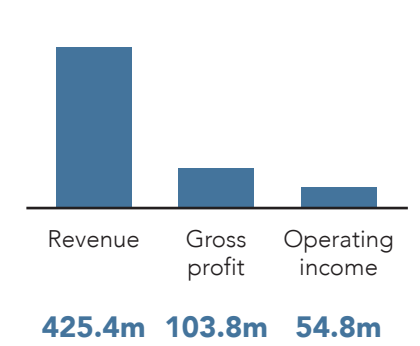
The impact on Performance Chemicals was much more transient. Demand for products linked to health, hygiene and cleaning alongside an increasing consumer desire for

more natural, mild and sustainable products outweighed some lost revenues due to the shutdown of some of our customer’s manufacturing facilities. There was a particularly strong need for isethionates, amine oxides, benzalkonium chloride, and other products that go into a variety of personal and homecare applications including hand wash, hand sanitizing, hard surface cleaning and laundry.

Our cash generation held up exceptionally well and we ended the year with net cash on our balance sheet.

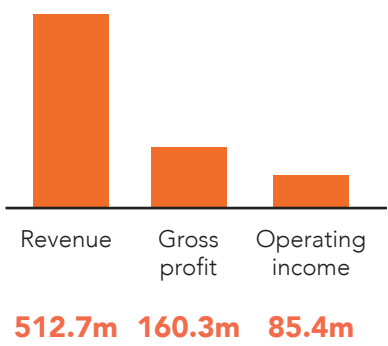
Performance Chemicals

Our full year revenues held steady at US\$425.4m with our gross profit increasing to US\$103.8m. Operating income rose to US\$54.8m.



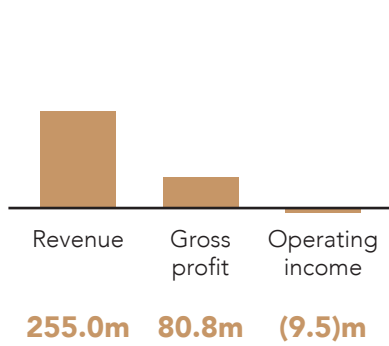
Fuel Specialties

Our full year revenues were down 12% to US\$512.7m with our gross profit falling to US\$160.3m. Operating income decreased to \$84.5m.



Oilfield Services

Our full year revenues were down 47% to US\$255.0m with our gross profit falling to US\$80.8m. There was an operating loss of US\$9.5m.



Net Sales Revenue

Performance Chemicals	US\$425.4m
Fuel Specialties	US\$512.7m
Oilfield Services	US\$255.0m

Overview

Revenue	Operating Income
↓US\$1.2 billion (down 21% on 2019)	↓US\$74.8 million (down 50% on 2019)*
Gross Profit	Adjusted EBITDA**
↓US\$342.7 million (down 26% on 2019)	↓US\$108.9 million (down 46% on 2019)

Our response to COVID-19

From the outset of the pandemic our first focus was the health and safety of our employees. In parallel, we knew it was important to keep our manufacturing operations producing and our research laboratories open, to minimize the impact of the pandemic on our customers. This approach was key to ensuring the long-term sustainability of our business.

For many of us, restrictions on travel meant adapting to new ways of working. With very limited face to face customer meetings, exhibitions or events, we instead turned to video conferencing and remote working.

Some of the specific actions we took in response to COVID-19 to protect our people and our business while supporting our customers, global communities, investors and suppliers included;

Adversity brought out our **best qualities**

“COVID had a significant impact on our business and presented us with fresh challenges on a daily basis. We moved quickly to establish new ways of working that would keep our people safe and ensure continued connection with our customers. Having everyone in our company pulling together through such adversity was really a spectacular moment for our organization.”

Patrick S. Williams President and CEO

Putting our **people and their families first**

Regular communications with our employees around the world was one of our key tools for keeping people safe while reducing the impact on our business. We emphasized the importance of taking personal responsibility and following the rules, particularly local government guidance.

Multi-departmental global teams worked together to develop a set of principles for creating COVID-19 secure workplaces and minimizing the spread of the virus. This advice was then implemented locally in line with site specific requirements. This included new signage and screening, one-way systems, increased handwashing and sanitizing facilities, decreasing face-to-face contact and

All figures rounded to one decimal place * Income before restructuring and impairment ** Earnings before income tax, depreciation and amortization.



Communication is critical in a pandemic

"We had to put systems in place that allowed people to carry on working safely and effectively through the pandemic, whether they were remote working from home, in a laboratory or at one of our manufacturing sites. Getting this support to our people was a great achievement."

Cathy Hessner Senior VP HR

limiting the number of people in communal areas. We sourced additional PPE where required, staggered work schedules and encouraged remote working whenever possible.

Protocols were devised, implemented and revised throughout the year in line with the changing landscape and government guidelines. To help with track and trace monitoring, new visitor screening processes were introduced to gather information about a visitor's recent travel and health history before being allowed on site. Travel restrictions encouraged video conferencing as an alternative to meeting face-to-face.

As a result of our prudence and hard work we have been very successful at keeping our people safe and our business running smoothly. Reported COVID-19 infections at our sites around the world were very low during 2020.

Working with our customers

Frequent discussions with our customers helped us plan around the unprecedented volatility in demand for our products which sometimes changed with every passing hour. Daily internal virtual meetings brought together our sales, purchasing, manufacturing, logistics and regulatory teams to focus on how best to deliver and supply the products our customers needed.

An example of this was the sudden increase in demand for benzalkonium chloride used in the manufacture of disinfectants. We quickly reorganized our resources to expand our capability in this area to meet demand. At our St Mihiel manufacturing site in France, part of our plant had to be shut down when a number of highly skilled operators were required to isolate following potential exposure to COVID-19. We immediately engaged with our customers

and quickly identified an alternative supply solution that worked for all resulting in no interruption of supply.

Our Performance Chemicals business teams used webinars to great effect during 2020 to keep in touch with our customers on a range of topics. We passed on our formulating expertise and guidance on a range of on-trend products using sustainable ingredients.

Looking after our global communities

We are pleased to report that the pandemic did not dilute our commitment to giving something back into the local communities where we live and work. In 2020, our total social value and community contribution was over US\$700,000.

Our Innospec Cares program, now in its fifth year, raised over US\$182,000, helping to support 90 worldwide charities and good causes. The match funding element of the program provided employees with the opportunity to double the funds raised by them for local emergency relief groups in some of the areas hardest hit by the pandemic. Given the urgency of the situation, funding applications were fast-tracked by our Innospec Cares Steering Group. These included applications for support for the Civil Protection in Lombardy, Italy, Wirral Hospice St John's in the UK, five US based United Way COVID-19 Rapid Response Funds and the Red Cross Society of China's emergency pandemic relief fund. As well as our financial contributions we also donated bleach, disinfectant, protective goggles and masks directly to local hospitals and health centers for distribution in our local communities.

Our efforts were featured in a video put together by the Chemical Industries Association (CIA) and ITN Productions Industry News. Its purpose was to showcase how the chemical industry is responding in a huge global effort to meet the demands of the pandemic crisis.



Customers tune in to webinars

"During 2020 we significantly increased the number of webinars we hosted all of which were well attended by customers from all over the world. These webinars were designed to share our formulation expertise and educate our customers on current sustainability trends. When demand for hand washes and disinfectants soared in response to the pandemic, customers found this support very useful to help them formulate new on-trend products."

William Mounsey Regional Director
Performance Chemicals, Americas



Watch the video >



Community donations to Panier Solidaire Marcellois in Vernon, France



Red Cross Society of China's emergency pandemic relief fund



Volunteers for Meals on Wheels in Salisbury, US



Community donations to Banco di Comunità® in Castiglione, Italy



Cross-departmental global teams
rise to the daily challenge

"In response to the pandemic we created new teams to deal with new challenges. We put different groups of people together very quickly with diverse skills and experience. These global teams considered everything from working different shift patterns to sourcing additional PPE and establishing what communications were required to explain all these changes. We went through this thought process each day and we are proud of what we achieved."

Brian Watt

Senior Vice President, Corporate Development
and Investor Relations



It is with great sadness we report the passing of our trusted colleague and valued Board Member Joachim Roeser from COVID-19 in April 2020.

Joachim joined Innospec's Board of Directors in 2008 serving as the Chairman of our Compensation Committee for over 10 years and as a member of the Audit Committee since 2012. An intelligent, kind and modest person whom everyone at Innospec will miss a great deal.

Keeping our investors informed

Engaging with our investors remained a top priority in 2020 and we worked hard to find new ways to overcome the challenges presented by the pandemic. Altogether we held nine virtual conferences which proved to be very successful. Investors responded well and provided positive feedback on being given the opportunity to speak with our CEO/CFO and other members of the senior team to better understand our view of how COVID-19 will impact current trends within the chemical industry. Given the success of our video conferencing in 2020 we plan to host a mix of virtual conferences and face-to-face meetings going forward.

Staying open for business

Keeping our manufacturing facilities operating smoothly throughout the pandemic, with only some minor interruptions, was a major success. Central to our approach was the decision to create new global teams to look at the shared challenges our sites faced around the world. We established best practices on a range of issues and used new IT systems to standardize our approach. Regular team discussions were held via video calls. This was very much a joint effort, working closely with employee groups, works councils and unions, as well as our suppliers and customers.

All our sites carried out risk assessments specific to their local requirements before deciding which measures were appropriate. We explored different team working and inventory management processes as well as the cross training of employees. This ensured critical roles and activities were maintained in the event of unavailability of an employee due to the need to isolate.

Working with our suppliers

As the impact of COVID-19 spread in the first half of 2020 it soon became apparent that our raw materials supply chain could be compromised. Thanks to our internal logistics expertise and excellent relationships with suppliers and road haulers we managed to keep goods moving, even at the peak of restrictions.

Forecasting customer demand was critical to our supply chain management. Regular meetings involving our sales teams helped prepare new forecasts as customers'

requirements changed to reflect market conditions. Video conferencing allowed us to work across regions, share information, discuss and resolve issues.

All this information was fed into our planning system to avoid excess inventory build-up and working capital costs. Our challenge was to quickly rebalance supply and demand which we are pleased to report was achieved with great success. There were no reports of our customers being left without stock due to COVID-19 and by the last quarter of 2020 all our inventory was rebalanced back to optimum levels.

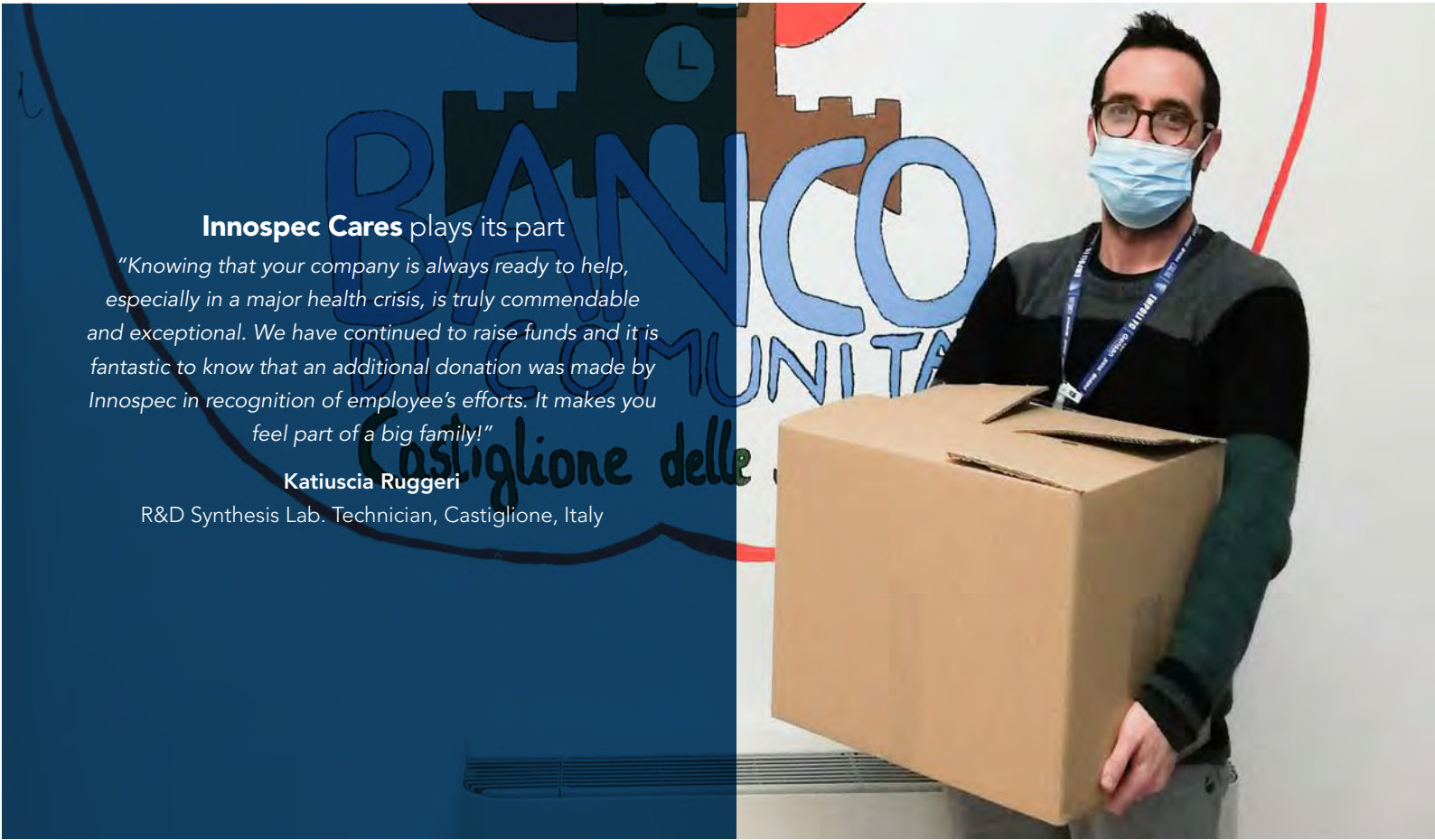
Good relationships and communication with our PPE suppliers also kept our people safe. We were able to secure deliveries of approved and certified PPE even when stocks of our usual sources became scarce. These items were internally redistributed in the event of any of our manufacturing facilities experiencing difficulty securing supplies locally.



New ways of working in a pandemic

"All our sites reacted quickly in adapting to the new COVID-19 safety controls along with the different ways of working. We made great use of new IT tools with video calls and virtual team meetings making communication very efficient."

Luca Chesini Supply Chain Team



Innovation, research and technology

Innovation is at the center of everything we do. It keeps our core businesses competitive and sustainable. In 2020, we spent US\$30.9 million in R&T and employed 215 people in our global R&T and technical support teams. This investment is made in our sites, our laboratory facilities, our skilled workforce and our systems and processes. It fuels our innovation by allowing us to work more efficiently and effectively with colleagues and customers.

This level of spend is important because our customers rely on us to develop products that help them optimize efficiency, reduce energy use, minimize their environmental footprint and keep in step with changing consumer trends. All over the world our innovation is helping to build a more sustainable future.

Our sulfate-free and 1,4 Dioxane-free surfactants are at the forefront of the switch to milder personal care and home care products. Our ability to deliver dry surfactants is helping to cut transportation costs and reduce plastic packaging. We are developing ground-breaking technologies for GDI engines that will keep car engines clean and optimize efficiency. Our innovative Drag Reducing Agents are helping to improve pipeline efficiency, reduce energy consumption in the oil and gas industry and mitigate stresses on ageing pipelines.

Improving our Knowledge Management

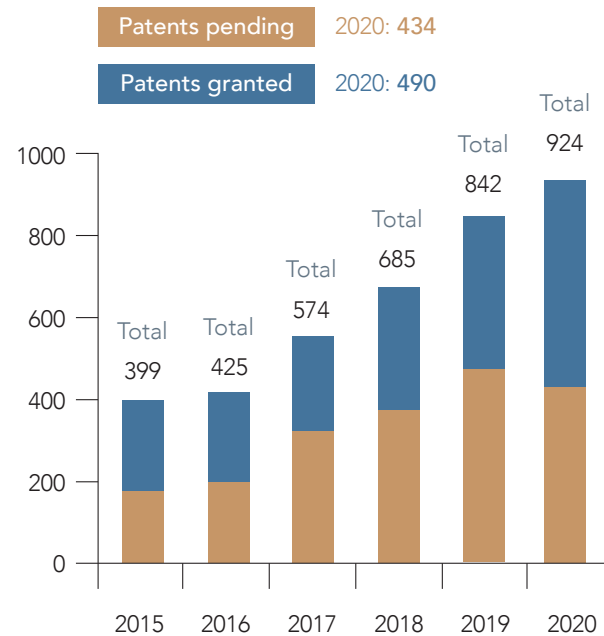
In 2020, we further invested in our Knowledge Management initiatives to support increased collaboration across all our business teams, wherever they are based. We utilize the latest software tools to create secure systems for sharing information quickly and efficiently.

Our harmonized Quality Management System has now been fully deployed at all our manufacturing sites. It uses a customized Microsoft Sharepoint workflow. This approach is now being extended to an Online Product System (OPS) for product management. It brings together relevant product information from around the world into a central system, vastly improving our productivity.

In 2020, we launched our updated global Product Startup Authorization System (SuA) (see page 44). The update included a more modern design and improved user functionality. By the end of the year we had 114 active SuA dossiers available to our teams around the world.

Protecting our 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.







Over **US\$30 million** spend in Research and Technology (R&T)



215 people working globally in R&T and Technical Support



Global Research Center based at our UK site, Ellesmere Port



Global Center of Excellence based at Millbrook, UK



Global network of **10 Technology Centers**



4 Regional R&T/Technology Centers



The importance of our SuA

“We were able to continue bringing new products to market during 2020 with the help of our bespoke virtual database platform, SuA, which provides the guided workflows essential for our stream-lined Startup Authorization process.

The SuA platform is available to all locations and enables all functions to upload, access, review and approve essential regulatory, production and process safety documentation while maintaining security and protections for Innospec’s intellectual property. In the COVID-19 pandemic people were able to work as if they were at their desk and communicate information across the world.”

Ian MacMillan Senior VP Technology

Expanding our infrastructure

In 2020, great progress was made with implementing our ambitious infrastructure development plans. Capital projects were given the green light at a number of locations.

In Salisbury, US work started on a new 20,000 sq ft bespoke Technology Center for our Performance Chemicals business which will feature eleven new laboratories housed in a new dedicated building. Additional plant production capacity was also installed to support the increased demand for one of our key surfactant products that is used in the manufacture of solid beauty bars. We also increased our capacity to manufacture and handle sulfate-free surfactants at the site by investing in additional reactors and a new rail car handling facility.

At our site in St Mihiel, France we installed a new bagging system to help boost production capacity of our NANSA® range of anionic surfactants in response to growing worldwide demand. The semi-automatic bagging line also reduces the need for operators to handle heavy bags, improving the safety of our operators.

In Ellesmere Port, UK we completed our project to bring the manufacturing of our Stadis® product range in-house with the construction of a new raw material and finished product storage facility. Manufacturing this product on site not only reduces the risk of supply but is also more cost effective.



St Mihiel, France new semi-automatic bagging system



Salisbury, US additional reactors



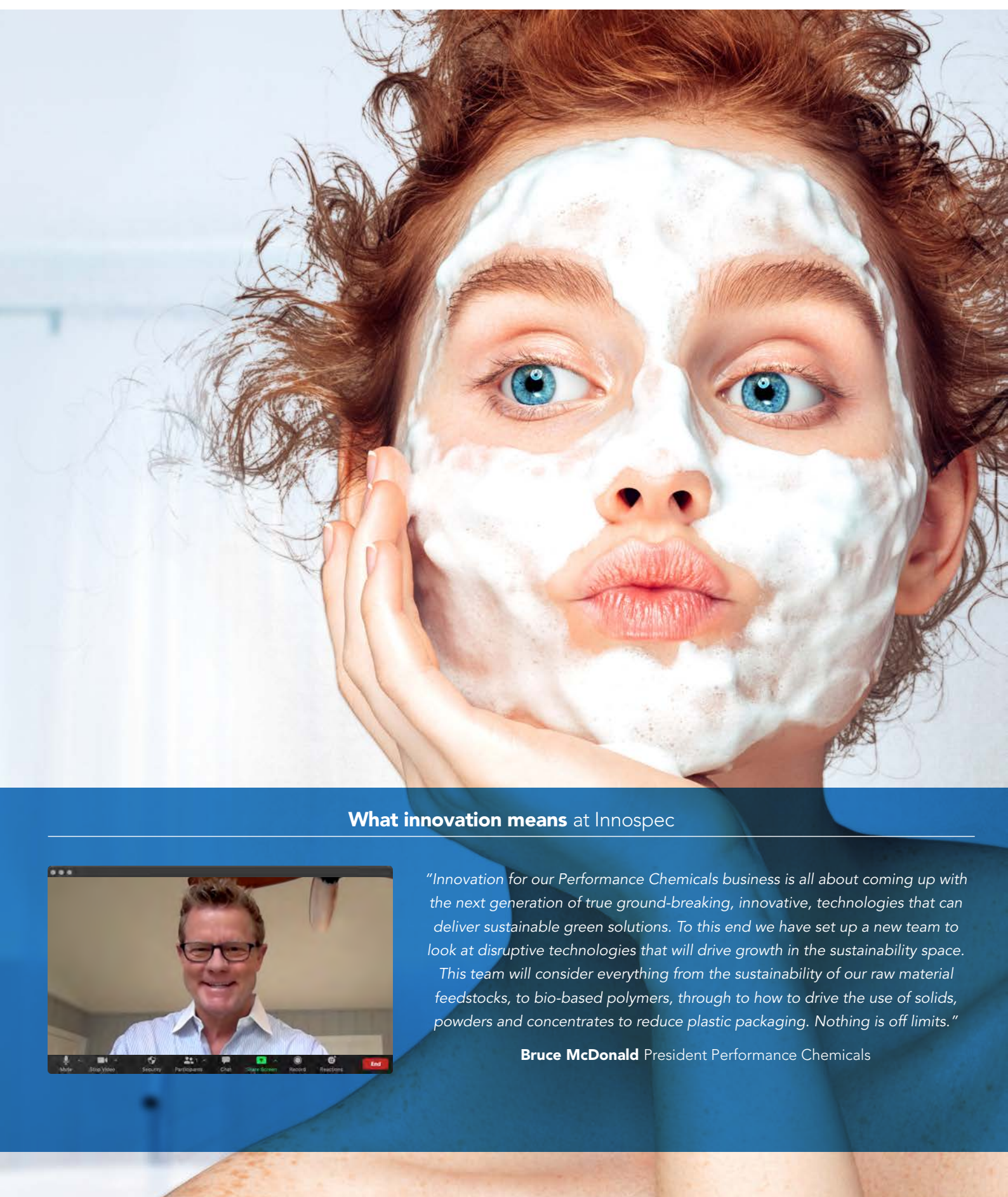
Ellesmere Port, UK manufacturing STADIS®



Salisbury, US new rail car handling facility



Salisbury, US. Our 20,000 sq. ft state-of-the-art facility will include eleven laboratories that will support global R&D, new product development and technical service activities for customers in the personal care, home care, agrochemicals, industrial and metal extraction markets.



Our review of Performance Chemicals in 2020

Blending science and creativity helps our Performance Chemicals business deliver on sustainability

This was important year for our Performance Chemicals business as we pushed forward with our ambitious sustainability agenda. Our successes were even more noteworthy given the backdrop of COVID-19. We successfully launched a number of new products, won a major award for our innovative range of surfactants, invested to meet the increasing demands for our mild surfactants and secured numerous key business contracts for our growing portfolio of sustainable products.

Whether it is the personal care, home care, agrochemicals, industrial, construction or metal extraction sector, our focus is consistent. We are working to reduce our environmental footprint while helping our customers satisfy the growing demand for sustainable but effective ingredients in response to changing consumer trends. Our aim is to develop close relationships with customers and suppliers who also share these values.

Creating sustainable products

During the year we received the prestigious Best Innovation Contributor Award at the 2020 Henkel Beauty Care event. This was in recognition of the substantial contribution made by us in developing solid products that require less water, less packaging and a smaller transportation footprint. Our team helped Henkel launch a new shampoo powder in record time using our sulfate-free surfactants.

We have been pioneering the development of sulfate-free surfactants for many years and we are the market leader. It is now 10 years since we first introduced our ISELUX® range. In the intervening years there have been 2,330 global launches of personal care products using ISELUX®'s unique patented technology. Today it is used across a number of markets to add luxurious cleansing to everything from beauty care and male grooming products

to super mild baby products. This high-performing surfactant has 80% naturally derived carbon content and delivers ultra-mild clear shampoos, shower gels, hand and facial cleansers that easily generate dense creamy lather and long-lasting foam.

By developing the natural ingredient content of our products, we can create more sustainable products and contribute to an improved environment. Our work with farmers in India who supply the natural ingredient guar used in our Activsoft range of conditioning agents is a good example of how we are supporting the smaller companies in our supply chain (see page 30). Increasing the natural based content of the raw materials used in their products is becoming more important to our customers. In accordance with ISO 16128, the international standard 'Cosmetics – Guidelines on Technical Definitions and Criteria for Natural and Organic Cosmetics Ingredients', we now have 129 products in our portfolio which have over 50% natural content. The number of our products that are ECOCERT approved also continues to increase each year. In 2020, we added 30 more ingredients to our list of COSMOS standard certified products, the consumer guarantee for organic and natural cosmetics.

What innovation means at Innospec



"Innovation for our Performance Chemicals business is all about coming up with the next generation of true ground-breaking, innovative, technologies that can deliver sustainable green solutions. To this end we have set up a new team to look at disruptive technologies that will drive growth in the sustainability space. This team will consider everything from the sustainability of our raw material feedstocks, to bio-based polymers, through to how to drive the use of solids, powders and concentrates to reduce plastic packaging. Nothing is off limits."

Bruce McDonald President Performance Chemicals

Responding to **consumer trends**

Consumer trends are driving our personal care and home care markets. There is an increasing interest in products that not only perform well, but that also address issues such as zero plastic, water scarcity, vegan certification, and biodegradability. COVID-19 has also influenced the direction of travel with growing demand for mild cleaning products that can be used more frequently yet remain kind to the skin. DIY beauty and pampering products grew in popularity in 2020 for obvious reasons. 'Clean beauty' is clearly here to stay.

Sustainability is also of increasing importance to our customers in the agrochemical and construction markets. There is a greater focus on the use of natural and biodegradable ingredients in fertilizers. In construction, the focus is on technology to produce thinner plasterboard which reduces raw material usage and associated transportation emissions from lighter loads. Our scientists are responding to these challenges and future needs.

Underpinning all these trends are the principles of green chemistry which puts the focus on the development of chemicals that reduce or eliminate the use or generation of hazardous substances. We are committed to green chemistry and support the European Federation for Cosmetic Ingredients (EFFCI) charter for the design and manufacture of cosmetic ingredients on green principles.

For example, our NANSA® LSS anionic surfactants are used in a wide range of sulfate-free shampoos, shower gels, liquid soaps, toothpastes and soap bars. Non-hazardous auxiliary chemicals, such as sodium carbonate, sodium bicarbonate or citric acid, are used in the products to help control acidity. Water is always used as a solvent and the preservative systems are all cosmetic approved grades. We continue to evaluate all our technologies to identify where we can improve the environmental, safety and sustainability of our products and processes.

Building **strong relationships**

During the year we used our strong customer relationships to overcome the challenges of the pandemic and strengthen our position in the market.

Webinars were used extensively to engage with our customers and showcase our products. These sessions were a great success and very well attended. From new powders and dry bars to concentrates, we had an excellent response from customers who are looking to formulate sustainable ingredients into creative trend-based prototypes. Our 'Seas the Day' webinar on zero waste and sustainability was attended by over 350 customers, distributors and employees. The events are designed to share ideas, formulation inspiration and trends with our stakeholders.

We also took the opportunity in 2020 to host a number of internal webinars and training presentations for our employees to help improve their understanding of our product sustainability and the information available to help support our customers in this area. This was particularly useful for the agrochemicals market where we are seeing a clear shift to sustainable solutions that use biodegradable and less toxic ingredients.

Delivering **performance**

Whether developing trend-setting formulations or complying with changing regulations, formulators demand specialized ingredients that will ensure their final product has the performance to match consumer expectations. In 2020, we launched a number of new key products.

Pureact GLT is our latest sulfate-free, vegetable-based and readily biodegradable mild anionic surfactant. COSMOS approved, it helps formulators meet market trends without sacrificing cleansing performance. Our Natrlquest® E30 chelating agent was introduced to enable more frequent handwashing products while still being mild on the skin and is readily biodegradable. We also developed

our Dispersun sun care range, working with a leading sunscreen manufacturer to demonstrate its effectiveness for dispersing zinc oxide, a highly effective UV filter.

In the home care market we launched NANSA® HS80/LSR, an eco-friendly solution for the toilet care market aimed at preventing lime scale. Our biodegradable range of detergents EMPIGEN® BAC expanded our offering of sustainable ingredients for cleaning products. We are now a major supplier of 1,4 Dioxane-free surfactants that meet the requirements of new legislation in the US for ingredients used in both personal care and home care products.





Cleaner engines are **better for the environment**



"Anywhere people are burning fossil fuels is an opportunity for our additives to help the environment by either making the engines burn more efficiently, reducing emissions or both. We are also starting to look at how our additives might be used after combustion has taken place to make 'after treatment' technologies such as diesel particulate filters work more efficiently."

Phil Boon
Executive Vice President & Chief Operating Officer

Our review of Fuel Specialties in 2020

Our Fuel Specialties business supports the drive to reduce emissions, save fuel and increase performance

We continued our drive to help customers reduce emissions, boost fuel economy and increase engine performance in 2020. Although sales were hit hard by the pandemic, as driving, flying and freight transport was dramatically reduced, we still launched a number of new technologies during the year. We worked closely with our customers on some exciting projects in our wide-ranging activities including applications in refinery, marine, power, heating and transport sectors.

Dynamico™ delivers in just one hour

Dynamico™, our ground-breaking range of deposit control additives are developed specifically for the latest generation of GDi engines. Dynamico™ not only cleans existing injector deposits after just one hour, but it also stops the build-up of future deposits, so complex injection systems always operate at maximum efficiency. The result is improved fuel economy and reduced emissions, ensuring the vehicle remains compliant with current legislation on emissions standards.

Renewable fuel solutions

Throughout the year we were at the forefront of developing solutions for renewable fuels, helping the industry evolve as traditional markets give way to more sustainable alternatives.

Many refiners are converting from petroleum derived fuels to renewable diesel and sustainable aviation fuels in order to achieve the Renewable Fuel Standard (RFS) set by the U.S. Environmental Protection Agency (EPA) and Low Carbon Fuel Standard (LCFS) primarily for the California Air Resources Board (CARB). As global leaders in diesel and jet fuel additive technologies this is a natural extension for us. We also have the technologies for improving the stability, low temperature handling, storage and operability of biodiesel. Produced from natural feedstocks, demand for biodiesel is increasing globally.

Real world tests demonstrate the benefits of ECOCLEAN™

As part of our product stewardship program we are supporting an independent trial of our high-performance fuel additive ECOCLEAN™ in China. This trial is designed to assess the product's performance in standard diesel fuel and its ability to improve fuel economy. Results so far indicate an average fuel saving of 3.71%. Similarly, tests carried out with train operator ScotRail (UK) has laid the groundwork for the company to cut its CO₂ equivalent emissions by 3,676 tonnes a year helping to meet new targets.



Find out more on page 26>

New technology for marine bunker fuels

At the start of the year there was an industry-wide focus on the new IMO 2020 regulations which were introduced on 1 January. We remain committed to supporting our marine customers through IMO2020 and helping them make the switch to Very Low Sulphur Fuel Oil (VLSFO) fuels.

Ongoing issues with fuel stability were specifically targeted with our new Octamar™ Ultra HF fuel additive, which is designed to improve the ignition and combustion properties of VLSFO. It also acts as a stabilizer for the fuel, keeping fuel systems on board the vessel operating at peak efficiency.

In the US market, we are supporting the move to VLSFO at our new laboratory in Houston using our Trident™ range of additives. Producers, blenders, traders and bunkering companies working with marine fuels attended a series of webinars on handling VLSFO. We demonstrated how our Trident™ additives can help overcome operational problems, enabling the bunker market to comply with new environmental regulations and still deliver cost-effective high-quality fuels.

Teamwork secures more business

Despite the challenges of COVID-19 we managed to win new business around the world by working together, delivering excellent technical support and collaborating with customers across a broad range of markets.

Whether it was cold flow improvers in Italy or pour point depressants in Egypt, our sales, customer care, supply and logistics people collaborated to make the most of the opportunities presented to us. Our determination to help solve our customers’ challenges also led to new business awards to supply fuel additives to customers in Russia and the US.

We used the opportunity of the COVID-19 lockdowns in the summer of 2020 to increase the internal product training given to all our Fuel Specialties teams, from sales to logistics.

Supporting more sustainable outcomes

By moving the manufacture of a number of key products to facilities located closer to our customers in Europe, we were able to reduce the shipping mileage and associated emissions by 51%. One product, originally manufactured in India, is now being produced at our site in Barcelona, Spain, with the raw material ingredients also sourced locally in Europe.

We provided support and advice on building a premium brand of diesel to an independent oil company, based in China, using our high performance Powerguard™ 6019 diesel detergent. There is growing interest in the country for the use of fuel additives to help lower emissions to the environment. Our customer’s new diesel fuel was successfully launched at the end of 2020 at a major product launch attended by over 350 participants.

Our teams have not only provided support to our customers but to the industry in general by contributing to a number of virtual events. This included presenting at the ‘Petron TechTalks 2020’ on fuel and vehicle trends and available additive technologies. A recording of the presentation was also shown later in the year at the Virtual Manila International Auto Show.

Our review of Oilfield Services in 2020

Our Oilfield Services business looks to the future

Despite this being one of the most difficult years ever seen in the oil and gas industry, we kept our focus on further developing our product portfolio to support more sustainable operations for our customers.

By helping to reduce the energy required to extract, produce and pump crude oil and extend the life of existing infrastructure, we are making an important contribution to minimizing the industry's environmental impact.

Providing this support to our customers was more important than ever in 2020. With the unprecedented fall in oil prices, demand disappearing almost overnight due to the pandemic and produced oil storage at capacity, operators were left with no other option but to shutdown many rigs. Several producing wells shut for the first time since 1986. Our expertise helped many customers ensure these shutdowns were carried out safely and with full consideration for the environment.

Developing our DRA capabilities

Investment in our Drag Reducing Agents (DRAs) range has helped build our position in this increasingly important market and secure a number of new contracts in 2020.

Use of our highly effective DRAs improves pipeline efficiency and reduces energy consumption by minimizing drag within a pipeline. Lower operating pressures are also possible without sacrificing pipeline capacity. This saves on capital expenditure and pumping costs. Older pipelines do not need replacing as throughput volumes can be maintained at lower pressures. System designers can allow for fewer intermediate pump stations. DRAs are suitable for both crude and refined fuel applications.

Our portfolio of DRAs was given a further boost with the launch of our new Torrent® IDR Crude Oil Drag Reducer range. To facilitate the launch, we made a significant investment to expand production capacity at our DRA facility at Pleasanton, TX, US. We managed to develop, manufacture and field test the products in record time, without compromising safety and quality.

By using this unique technology, one of our customers in the Middle East was able to reduce frictional loss in a 44-mile long pipeline by nearly 75%. Torrent® IDR 7100 increased flow rate through the pipeline, cutting operational costs without the need for additional infrastructure expenditure. For another customer in Texas, US, it helped solve a problem with high shear pipe wall stress in a long-distance pipeline. Field tests demonstrated how our Torrent® IDR 7100 can reduce drag significantly. This is key to reducing energy consumption as well as stress on pipeline infrastructure.

Providing critical technical support

Throughout 2020 we looked for new ways to provide support to our customers, particularly with regard to safe and effective methods to shut-in a well. We quickly launched a social media and PR campaign to provide advice and guidance on how to shut down a well without causing damage. The campaign was positively received by both existing and potential customers and resulted in a number of new contracts to provide additional support in the field.

Helping our customers to meet stringent technical specifications was a continued request throughout the year. A customer based in Turkey was experiencing issues with high oil-in-water levels. We formulated a new demulsified product for field trials, which resulted in a 15% reduction in oil-in-water values and a 10% decrease in demulsifier usage.

Staying focused on innovation

During the year we continued to focus our efforts on developing new technologies for the oil and gas industry. An example of this is our first patent pending technology to short circuit polymer-iron interactions. HiRate™ MAXX-3200G helps operators working in iron rich mineral basins prevent polymer induced agglomerations, commonly known as 'goo'. This rubbery like substance can adhere to surface treating equipment and constrain oil production.

Growing our business in EMEA

Establishing our Oilfield Services business in Europe, Middle East and Africa (EMEA) has taken several years and a significant amount of determination and effort, slowly building customer relationships over time. Field trials have been important in convincing our customers of the efficiency, quality and cost competitiveness of our products. In 2020, we were awarded contracts to supply seawater treatment chemicals to Egypt, corrosion inhibitors to Spain and lost circulation materials to Oman to name a few.

Cross functional teams collaborate to deliver excellent customer service

Despite the downturn in the oilfield market we worked hard to secure several new business contracts for our drilling, production and stimulation chemicals. The key behind all these successes was the hard work, determination, collaboration and adaptability of our sales, marketing, operations, and technical teams. Having the right cross-functional teams working together to support our sales efforts helps us deliver excellent customer service.



Social Caring for people

Our focus areas for social are:

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 and operations.

Community engagement

Supporting local communities through education, fundraising and sponsorship opportunities.


Employees

Investing in the growth, diversity and development of our employees helps us to attract and retain talent and achieve long-term success.

What's next?

Our continued success depends on keeping people safe, promoting healthy lifestyles, protecting human rights, improving education, training and maintaining good relations with our neighbors. See what we hope to achieve in 2021.

Find out more on page 45 >



5 years

Innospec Cares

In 2020, our total social value and community contribution was over US\$700,000. We also celebrated the five-year anniversary of our Innospec Cares Program. The total raised since its launch in 2016 stands at US\$863,000. 452 employee applications were received for Innospec Cares funding from 26 locations over the same period. All this helped to support 350 community groups and charities around the world.

What you will find in this section of the report

- Our commitment to health, safety and wellbeing >
- How we invest in our employees >
- Support given to local communities >

Health, safety and wellbeing

Our commitment to health, safety and wellbeing

Looking after the health, safety and wellbeing of our 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. Our three core SHE objectives are that no-one gets hurt, we don't impact our neighbors and we leave only the gentlest footprint on the environment.


In 2020, we were again pleased to see a decrease in the number of accidents compared to the previous year. The key figures for 2020 are highlighted below.

RESPECT Committee


At Innospec SHE leadership comes from the top. Our Responsible Care Executive Committee (known internally as RESPECT) is led by our CEO, Patrick S. Williams and comprises of members of the senior leadership team. RESPECT is responsible for setting out our global SHE and Sustainability policies and objectives as well as monitoring our ongoing performance in these areas throughout the year. The committee reports to our Board of Directors and conducts a major review of objectives and performance annually alongside a series of interim quarterly reviews. Through the workings of this committee, we can ensure we have the right resources and approach as our business grows and develops.




Health, safety and wellbeing highlights




15% decrease in the number of accidents with 93% of total accidents classed as minor.




29% decrease in the number of loss of containment (LOC) events.



8% decrease in accident frequency rate (2.44 accidents per 100,000 hours).



100% of manufacturing sites maintained the Controlling rating on the UK Chemical Association's (CIA) health metrics indicator tool, with 81% of sites reaching Best Practice and 72% reaching Advanced in some areas.



3% rise in the number of near misses raised*.



SUSTAINABLE DEVELOPMENT GOALS



8 DECENT WORK AND ECONOMIC GROWTH

Journey to Zero Harm highlights

2020 was the fourth year of Journey to Zero Harm (JTZH). **1,867** employees have been trained in the program. 60 second checks completed increased 12% to **105,421**. **8,661** safety interactions, a 10% increase.

Decent Work & Economic Growth

We are committed to protecting the environment, supplying our products safely and looking after the health and safety of our employees and anyone else who may be affected by our activities. We achieve this by providing and maintaining safe plant, procedures and systems at work. We operate a diversity and equal opportunities policy to ensure that current and prospective employees are accorded equal opportunities irrespective of gender, marital status, sexual orientation, race, color, ethnic or national origin, age or disability.

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

Process Safety

Process safety management plays a central role in the prevention of major accident hazards. We have worked diligently to develop and implement a robust process safety management system to ensure our process hazards are controlled and to minimize the risk of a catastrophic process safety incident. Our management system comprises of;

Our Process Safety Standards

We have developed a comprehensive set of standards that are focused fundamentally on the control of critical hazards. These standards are regularly reviewed 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.

Our Corporate Process Safety Audits
Compliance with the Process Safety Standards is monitored through process safety audits, carried out by

our Corporate SHE team. These audits measure a site’s compliance against the corporate standards to establish the degree of implementation and operational employee awareness. The outcomes of the audits are discussed during the quarterly RESPECT meetings. In early 2020, we carried out four face to face audits at our Castiglione site in Italy, St Mihiel site in France and our Pleasanton and Midland sites in the US.

After March 2020, our ability to carry out audits was interrupted by the travel restrictions caused by the pandemic which prevented the completion of further face-to-face audits. Instead, sites provided evidence of their internal self-audit which was then reviewed by our Corporate SHE team. During the year a virtual audit protocol was developed that focuses on the implementation of the Process Safety Standards. All manufacturing facilities will be audited in 2021 by Corporate SHE either face-to-face or virtually if travel is still not permitted.

Our 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. All sites PSPIs are reviewed at the quarterly RESPECT meetings and the information is used to identify any areas that need further focus or support.

Our Process Safety Leadership

Our Process Safety Leadership program normally involves the Executive Team undertaking personal onsite visits. These visits are specifically focused on process safety and are in addition to our longstanding corporate process safety auditing program. They demonstrate, at local level, our Executive Team’s commitment to the prevention of major accident incidents. Unfortunately, due to COVID-19 travel restrictions, no leadership visits were able to take place in 2020. Leadership visits will however resume as soon as practical and possible.

We ensure our process safety experts maintain their high level of qualifications and up to date knowledge required to support our manufacturing facilities. In 2020, Helen Coy, Innospec’s Group Sustainability and Senior Corporate SHE Manager, successfully completed her PAA\WQ-SET Level 7 Diploma in Continuous Improvement in Process Safety. The qualification provides recognition of the knowledge of those individuals involved in process safety management and also demonstrates leadership in continuous improvement in process safety.

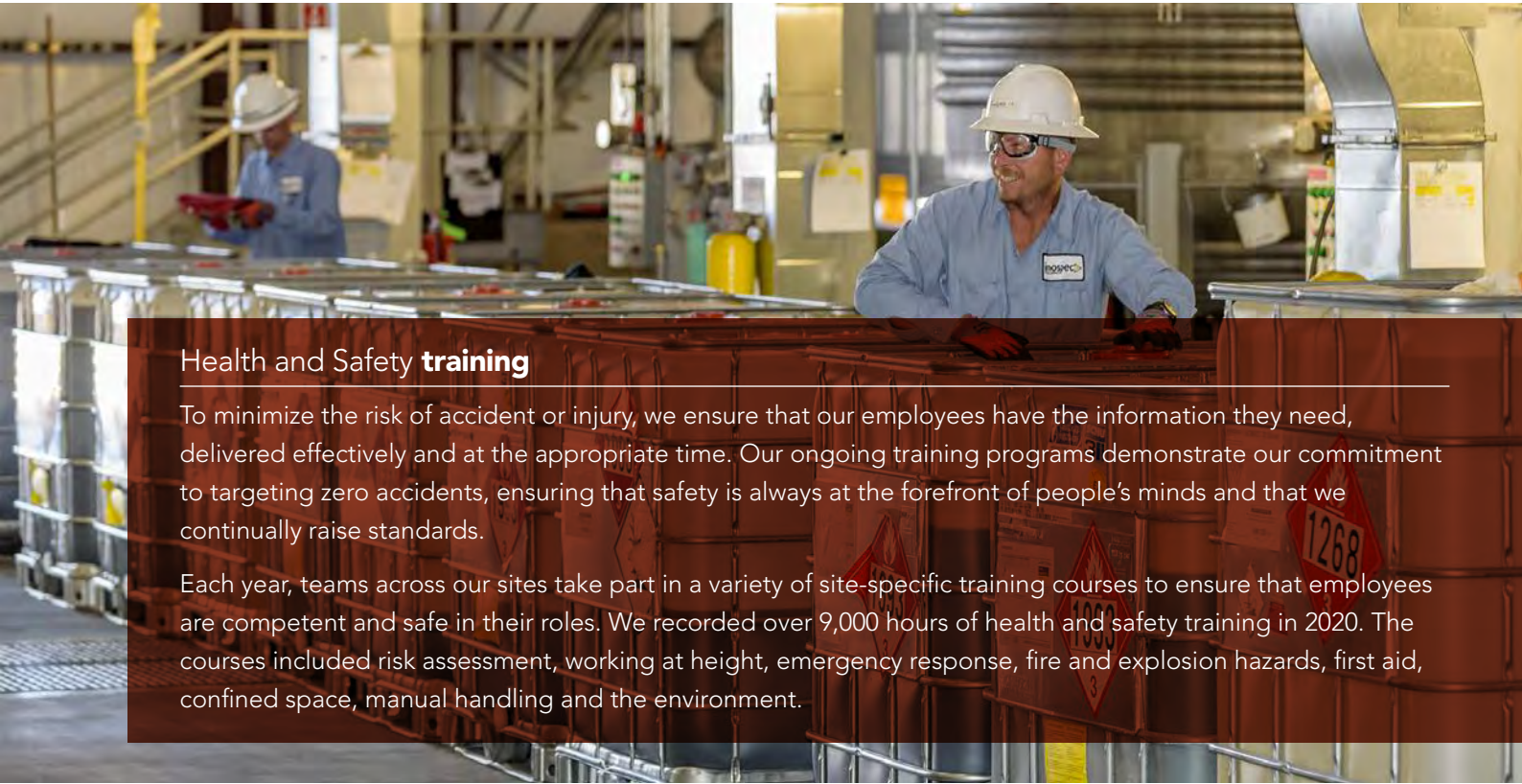
Start-up Authorization (SuA) procedure

We launched Innospecs’ SuA in 2019 to ensure process safety is not compromised following the introduction of new products, processes or major modifications. The SuA procedure uses a customized electronic platform to ensure that all appropriate safety and design issues have been considered, collated, reviewed, approved and documented prior to commissioning. In 2020, we upgraded the software interface to improve the functionality of the platform and user experience. There are now 114 approved product dossiers registered on the SuA compared to 51 in 2018.

Preparing for emergencies

All manufacturing sites need to be prepared and able to provide a safe and competent response to an onsite emergency. Each manufacturing facility has identified the potential emergency scenarios for the activities carried out at the site and has a documented site emergency response plan for each of these scenarios. All employees are trained in the contents of the plan and also take part in practical exercises relevant to their role in the event of an emergency.

Innospec have partnered with Chemtrec in the US and Carechem 24 for all other global locations to provide emergency response support in the event of an incident involving one of our products either during transportation to or at our customers premises. They offer multilingual, 24/7 emergency response helplines, staffed by trained chemists to provide initial support in dealing with incidents.



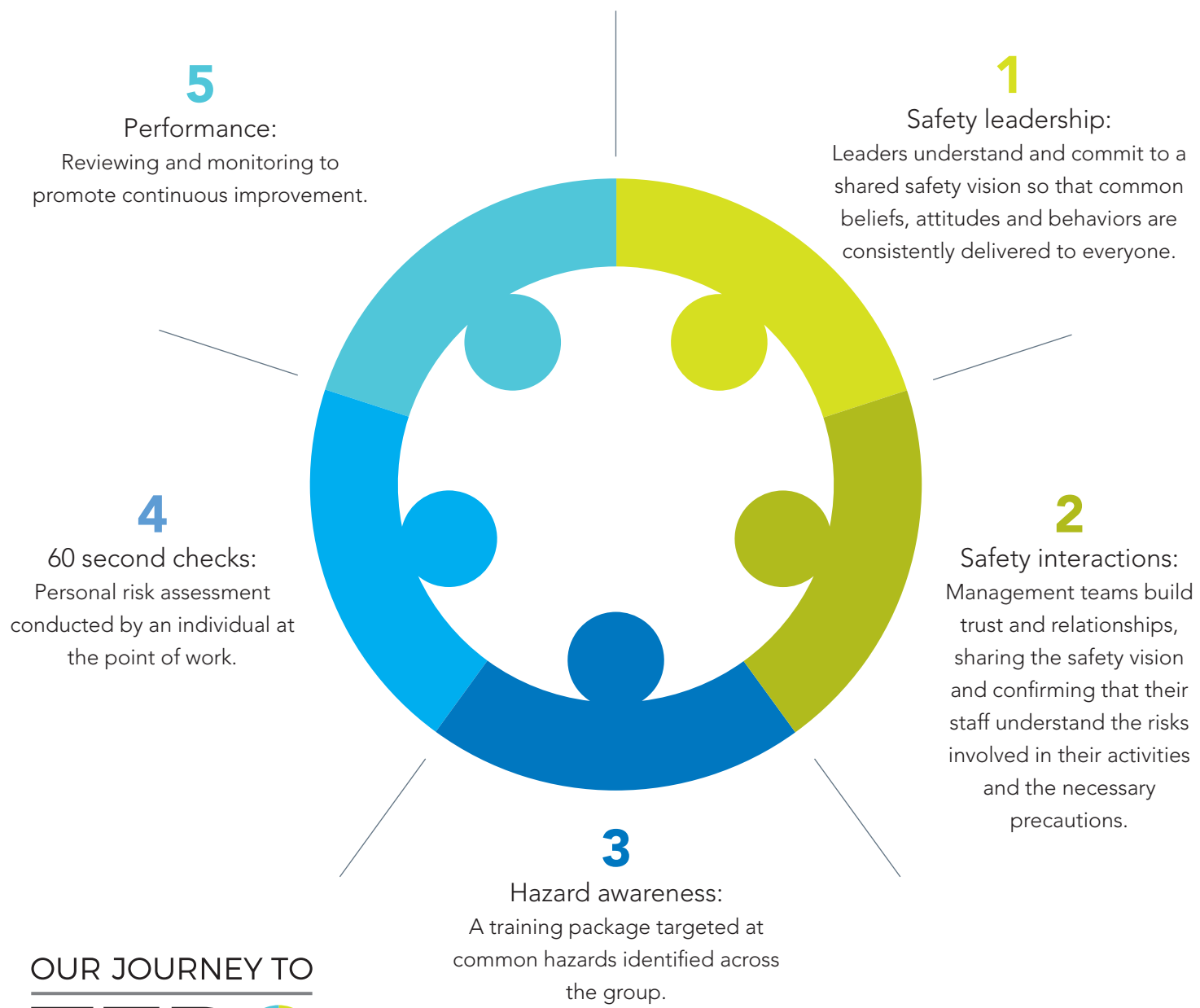
Health and Safety training

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.

Each 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. We recorded over 9,000 hours of health and safety training in 2020. The courses included risk assessment, working at height, emergency response, fire and explosion hazards, first aid, confined space, manual handling and the environment.

Our Journey to Zero Harm

Our company-wide Journey to Zero Harm (JTZH) program is our key strategic tool to help reduce accident numbers by encouraging everyone to take responsibility for safety risk assessment. It consists of five elements:



1,867
employees trained



8,661
interactions completed
(increase of 10% on 2019)



105,421
60-second checks completed
(increase of 12% on 2019)

In 2020, we completed the final phase of roll out of our JTZH training to non-manufacturing personnel (office, sales and marketing). All employees globally have now received training in the JTZH program. We also launched a new hazard awareness module ‘Slips, Trips and Falls’ to all manufacturing sites, supported by the use of promotional materials in five core languages. The subject was selected to help target the most common accident type occurring at Innospec during 2019. To assess how well the JTZH program is being embedded into each site and its culture we introduced a monitoring assessment which was trialed at three of our manufacturing sites in 2020.

JTZH is an ongoing program. To ensure that it remains effective and engaging, over the next 12 months we plan to;

- Formally document our JTZH strategic plan to ensure that it is clearly defined and communicated.
- Complete the roll out of the new Slips, Trips and Falls awareness module to all employees globally.
- Complete a monitoring assessment at the remainder of our manufacturing sites.
- Engage with non-manufacturing teams to further develop the JTZH and safety culture at their locations.
- Develop new training packages and materials for local sites to help them to embed the JTZH principles.

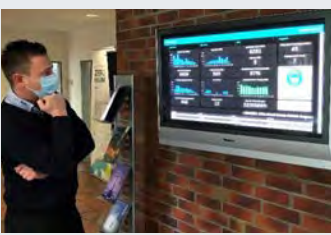
Site based initiatives to help improve safety

Each year our sites also maintain existing programs or introduce new initiatives to help improve safety at a local level. A number of our locations operate a ‘near miss of the month or quarter’ scheme to encourage employees to report near misses. Our site in Castiglione, Italy rewards the employee reporting the ‘near miss of the quarter’ with a JTZH backpack and at Leuna, Germany a safety gift is awarded to the employee raising the ‘near miss of the month’. Our sites in North Carolina, US and Ellesmere Port in the UK both make a financial donation

to a charity nominated by the ‘Near Miss of the Month’ reporting employee. In 2020, our site in Herne, Germany introduced a new digital safety share system that enables employees to input safety data including JTZH activities such as interactions for analysis. The digital system also improves visibility of the performance data in real time. Our Vernon site in France conducted a targeted campaign for employees during Road Safety Week to help improve awareness at work and home.



Near miss of the quarter at Castiglione, Italy



Herne, Germany introduced a new digital safety share system



Near miss of the quarter at Castiglione, Italy



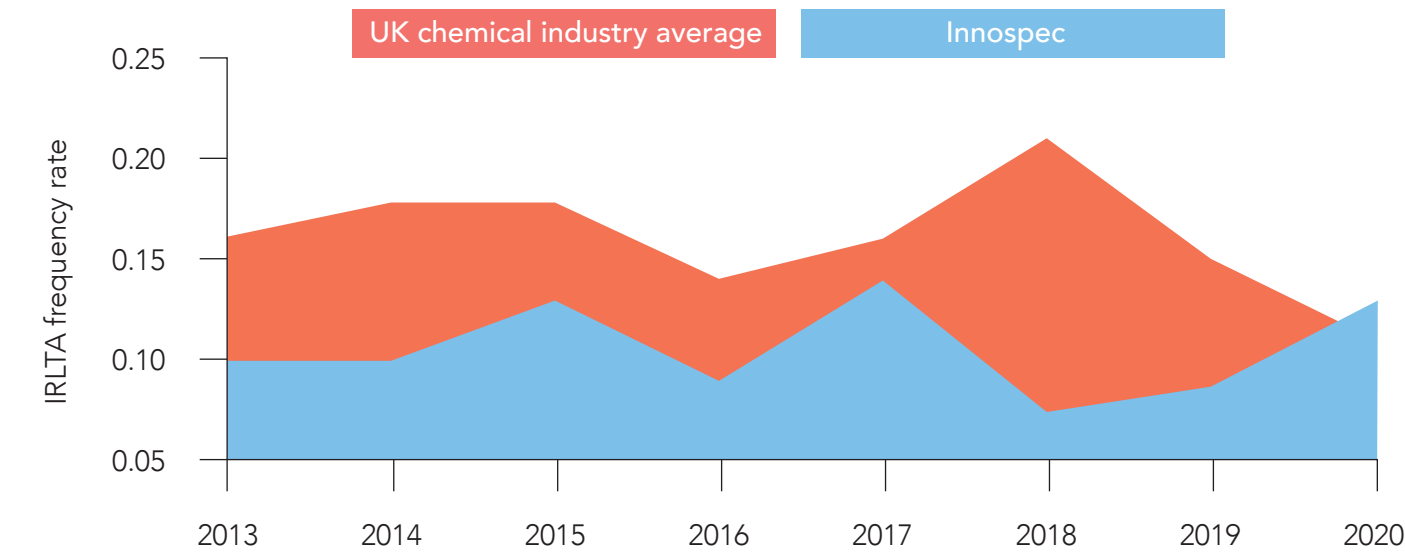
Herne, Germany announcing 6000 days since ITLTA

Safety performance

Our annual safety target is to achieve zero fatalities or major, work related injury accidents to employees or third parties. We are pleased to report that in 2020 we met this target. Each year we also aim to achieve a zero Innospec employee 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. Unfortunately, in 2020, we have to report that there were five employee IRLTAs. An operator received burns to his leg as a result of coming into contact with hot condensate. An employee experienced eye irritation when dust from the car park entered her eye. A maintenance employee broke their thumb when grinding a flange. An operator strained their back when moving a 25kg bag of powder and an operator damaged a ligament in his leg when he slipped while moving equipment.

These five accidents resulted in our IRLTA frequency rate ending the year at 0.13 per 100,000 hours compared to the industry average for the UK Chemical sector of 0.11. Although it is disappointing to report any accidents, we are pleased to report that none of them resulted in lasting injury and everyone involved has made a full recovery.

Employee reportable lost time accident frequency rate Innospec vs industry average



Measures have been put in place to prevent similar accidents from happening again.

Addressing Loss of Containment (LOC) Events

We take the safe containment of process materials handled at our manufacturing facilities very seriously. All unintentional chemical releases and spills are reported and tracked regardless of the quantity involved or the nature of the material. We also investigate them fully so we can understand exactly what has happened and remedy any underlying issues. All manufacturing facilities are required to develop and implement a LOC reduction program. Performance across the group is reviewed quarterly.

We have set up regional review teams and dedicated LOC improvement teams at all our sites to help identify LOC trends, discuss any particular challenges and share best practice in LOC prevention. Across all our sites we took numerous actions in 2020, to prevent LOC events. These included site trend analysis, more robust engineering solutions, improved plant labelling, employee training, improved communications, regular LOC audits and routine review meetings.



Loss of Containment reduction initiatives

Some examples of our site-led initiatives include;

- Barcelona, Spain: Improved visibility of their lock-out-tag-out systems.
- North Carolina, US: Introduction of vibration analysis and an improved inspection regime for pipelines handling hazardous materials.
- Ellesmere Port, UK: Carrying out targeted investigation and trend analysis of gasket failures.
- Herne, Germany: Optimizing material storage to ensure forklift trucks have sufficient room to maneuver, so reducing risk of contact with containers.
- Leuna, Germany and Oklahoma City, US: Improved clearer labelling and identification of pipelines, tanks and equipment to reduce the risk of human error.
- Midland and Pleasanton, US: Improved inspection program of intermediate bulk containers and tote storage areas to identify minor leaks at the earliest opportunity.
- Vernon and St Mihiel, France and Chatsworth, US: Improvements to LOC training, communication of performance and sharing of best practice to all personnel including targeted training to those responsible for the investigation of LOC events.
- Castiglione, Italy and Chatsworth, US: Improved operational check lists to reduce the risk of human error during the offloading and loading of materials.

Internal safety performance recognition

We believe that safe organizations are successful organizations and that it is important that we recognize the good safety performance of our employees. One of the ways in which we do this is through our corporate safety awards and certificate programs.

Corporate safety awards

These awards recognize manufacturing sites and associated operations that reach a calendar year or more without an Innospec employee reportable lost time accident (IRLTA). Each site achieving a milestone period is presented with a corresponding plaque and donation to a charity of their choice. In 2020, we donated a total of US\$24,000.

Corporate safety certificates

Our corporate safety certificate program recognizes key milestones of employee-hours worked without an IRLTA.

External recognition

Ellesmere Port, UK received their fifth Order of Distinction Award from the Royal Society for the Prevention of Accidents (RoSPA) for their excellent safety performance in 2020. The award recognizes 19 consecutive years of achieving RoSPA Gold.

Our High Point, US site qualified for a Silver Safety Award issued by the North Carolina Department of Labor (Safety Awards) program. The award recognizes 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.

Innospec Fuel Specialties LLC received its second consecutive Certificate of Excellence safety award from the American Chemistry Council. The award recognizes facilities

with zero deaths, zero days away from work cases and zero job transfer or restricted cases for the reporting year.

One of our Fuel Specialties laboratories, at Pencader in Delaware, US also received SHARP Status recognition by the US Occupational Safety Health Administration for exemplary health and safety programs.



“Nothing is more important to us than the health, safety and wellbeing of our employees. We are very proud to have received a Gold Award in recognition of our safety performance at our site in Herne, Germany. The additional recognition in the form of a donation made to charity is an extra bonus that means a lot to employees. We will continue to work hard to maintain this excellent record in the months and years ahead.”

Uwe Plattes Vice President North Europe



Salisbury, NC, US 7 year safety award donation



Herne, Germany 7 year safety award donation

2020 Corporate safety awards and certificates



Gold award
(US\$5,000 donation to charity)
7 years without IRLTA
Herne, Germany
Vernon, France
Salisbury, US

5 years without IRLTA
Oklahoma, US

Silver award
(US\$3,000 donation to charity)
3 years without IRLTA
Midland, US

Bronze award
(US\$1,000 donation to charity)
1 year without IRLTA
Chatsworth, US



Gold certificate
1 million employee-hours worked
Midland, US

Silver certificate
1/2 million employee-hours worked
Leuna, Germany
Barcelona, Spain

Bronze certificate
1/4 million employee-hours worked
High Point, US

Herne, Germany donated the award funds to a children’s charity, Circus Schnick-Schnack

Wellbeing

Everyday our people bring experience, professionalism, problem-solving, dedication and creativity to their roles within Innospec. Looking after their wellbeing is at the heart of our success as a business. This was especially important in 2020 given the stress on mental health caused by the pandemic. Many faced the challenge of working remotely, trying to balance the pressure of family life with work commitments while taking active steps to stay fit and healthy. Others were acutely aware of their personal responsibility to maintain high COVID-19 safety practices onsite and reduce any opportunity for the virus to spread in the workplace.

Many employees took part in a range of activities to help both themselves and others keep fit and improve mental wellbeing. Our sites also organized COVID-19 safe events to promote the health and wellbeing of employees and support the wider community.

Employees at our site in Herne, Germany took part in active 'healthy back' training while others took part in lunchtime Nordic walking sessions. All employees also took an e-learning course in hygiene.

Our Barcelona, Spain site arranged for employees to receive a delivery of fresh fruit from a local inclusive social enterprise that employs people with disabilities. The site also modified its coffee machines to dispense less sugar.

In Vernon, France employees were given a book on activities you can do every week to help and enjoy the environment. The book is written by the environmental association Coup de Pousse which also received a donation via our Innospec Cares program.

Thirty employees at our site in Leuna, Germany took part in a virtual charity run in aid of Merseburger Benefiz-Lauf to support regional child and youth projects. Together they raised US\$1,400. The site also hosted two online health training days offering courses on 'Mental Stress Balance' and 'Healthy Back Training'.

UK Chemical Industry Association (CIA) employee health metrics tool

Every year we use the CIA health metrics indicator tool to score and compare our health programs with industry best practice. The tool measures how we are performing across a range of issues including health leadership, policies, audits, hazard control, monitoring, wellness support and 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 2020, all our sites scored a C with 81% reaching 'Best Practice' levels and 72% reading 'Advanced' levels across a number of areas.



Leuna, Germany virtual charity race for Merseburger Benefiz-Lauf



Herne, Germany lunchtime Nordic walking sessions

Product safety and consumer wellbeing

To ensure the safety of our products throughout their life cycle we monitor them very carefully, from first design and manufacture through to distribution, use and disposal. This program is managed by our network of regulatory and safety, health and environmental teams, who ensure we are fulfilling both our statutory and voluntary obligations.

Our products must comply with national and international requirements on product conformity, chemical safety and registration. These regulations are continually evolving. As well as complying with existing regulations, we frequently play an active part in developing improved compliance standards and guidelines for the wider production and use of chemicals and materials. To this end we are represented at a number of national and international standards committees which oversee the development, approval and use of chemicals and materials.

Managing the end of the Brexit transition period on 31 December 2020 was important to maintain our product safety program. It required us to transfer EU REACH (Registration, Evaluation, Authorization of Chemicals) registrations held under our UK legal entity to our legal entity in France. This process was completed before the end of year deadline. St Mihiel is now our only legal entity for EU REACH compliance. At the same time, we made the necessary preparations to ensure compliance with the new UK REACH regulations that came into force on 1 January 2021.

Resources were also directed towards completing all pre-registrations of substances imported into Turkey under KKDIK, the Turkish REACH program. These were completed before the 31 December 2020 deadline.

We continued with our program to review and update our existing European Union REACH registration dossiers in line with the European Chemical Industry Council (CEFIC) Dossier Improvement Plan. This is a legal requirement to review and update registrations with any new information

and assess its impact on safety to workers, consumers and the environment. Over 50 registration dossiers were updated and resubmitted in 2020.

Responding quickly to requests from the European Chemical Agency (ECHA) for more information on our REACH registered substances is an integral part of the ongoing compliance checking and evaluation processes embodied within REACH. We take these obligations seriously.



"Our people working in regulatory are drawn from many different disciplines. We have an expert scientist with many years' experience in environmental science heading up and guiding our technical team. This team includes two young and upcoming professional scientists, one of which is about to complete her masters in toxicology, providing expertise in human health and the other about to start a post graduate diploma in environmental toxicology. The combination delivers an excellent mix of compliance knowledge. It's a strong team of which we are very proud."

Ian Callan
Head of Global Regulatory Compliance Innospec



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 beyond the regulatory requirement of safety data sheets (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 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.

We are committed to minimizing the environmental impact of our products through all stages of their development. Our regulatory team are involved at the early stages of research and development to ensure that any new product is properly supported from its initiation. Through careful product stewardship we aim to deliver increased performance and value without harming people or the environment.

We conduct detailed product testing for customers based on their own specific operational requirements. In 2020, two initiatives demonstrated how one of our products is contributing to reducing emissions, increasing engine performance and improving fuel economy in both China and the UK. From trucks to trains we are making an impact.



"It was great to work with ScotRail. By setting up the trial, we were able to demonstrate that our fuel additive helps restore an engine to an 'as new' condition. The results speak for themselves. ECOCLEAN™ led to reduced fuel usage and CO₂e reductions, combined with improved engine power output and reduced engine noise."

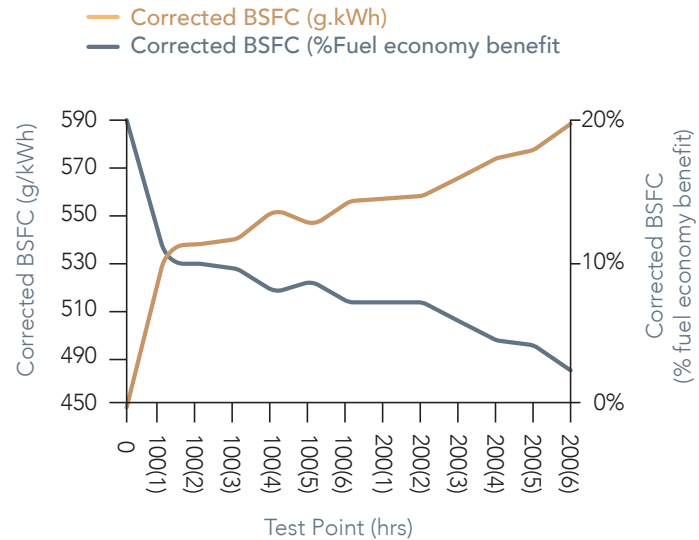
Wade Pang Innospec Product Manager

ECOCLEAN™ cuts CO₂e emissions

After carrying out one of the most comprehensive fuel additive tests in the UK, the train operator ScotRail (UK) will be using ECOCLEAN™ across its entire diesel fleet. Introducing the additive is projected to deliver over 3% in fuel savings for ScotRail annually. This translates to a projected annual reduction of; 3,676 tonnes of CO₂e, 3.7 tonnes of methane and 41 tonnes of nitrous oxide.

The initiative is helping the company meet its sustainability target of eliminating all carbon emissions by 2035. ScotRail operates a diverse fleet of diesel and electric trains and over 350 rail stations in Scotland. It is continually investing in energy efficient technologies.

MTU 183TD Corrected BSFC, 0 to 200 hours with ECOCLEAN™ HSDI at Idle Engine Speed



"We often work in partnership with our customers to gather application specific data. This is all part of our customer service ethos. Our initial results on fuel economy identified during the China trial were excellent, 3.7% is a significant reduction. On the back of this success there is now more work to do, so the project is still ongoing."

Ramzi Jouaneh Regional Director Asia Pacific

ECOCLEAN™ improves fuel economy

An independent trial is ongoing in China to assess the benefits of adding our high-performance fuel additive ECOCLEAN™ to standard diesel fuel. A series of commissioned tests have taken place under the direction of the Research Institute of Petroleum Processing at the National Automotive Quality Supervision and Inspection Center in Tongzhou, Beijing.

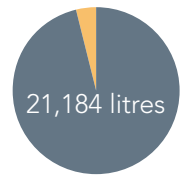
Following test protocol GB/T 12545.2, a standard Jiefang heavy duty truck carrying an 18,000 kg load was driven at a range of speeds. This was initially carried out using China's National VI standard diesel with no additive and then repeated using the standard diesel treated with ECOCLEAN™.

Our technical team were able to demonstrate an average fuel saving of 3.71% attributable to using ECOCLEAN™. This saving was consistently achieved over a range of speed points, replicating a typical truck operation. The trial demonstrated that a truck would save approximately 1,187 liters of fuel over a 100,000 km distance.

Fuel Saving in heavy and medium duty cycles with ECOCLEAN™

Innospec's technical team were able to demonstrate an average fuel saving of 3.71% attributable to the use of ECOCLEAN™.

Medium Duty
816 litres saving



Typical fuel consumption of medium duty 22 litres/100km ie 22,000 litres fuel usage for 100,000km and a saving of 816 litres for every 100,000km

Heavy Duty
1,187 litres saving



Typical fuel consumption of heavy duty 32 litres/100km ie 32,000 litres fuel usage for 100,000km and a saving of 1,187 litres for every 100,000km



Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

Responsible Care®

The global chemical industry has been driving continuous improvement in health, safety and environmental performance for the last 30 years through its Responsible Care® initiative. Today it is practiced in nearly 70 economies in six continents around the world. 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. Our Innospec Fuel Specialties LLC operations in the US have held their Responsible Care® management system certification since 2007.

Going forward Responsible Care® will continue 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 in Practice

We demonstrate our commitment to Responsible Care® in many different ways. For example, 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.

Based on this best practice we developed our own Innospec CNI Product Safety Manual for our supply chain distributors and customers alongside an online training awareness package. To further strengthen our product stewardship in this area, we introduced the requirement for all distributors and customers to review the manual and complete the training package as a condition of sale. Our commitment to helping customers apply these safety guidelines continues after the product has been supplied.



Employees

Investing in our employees

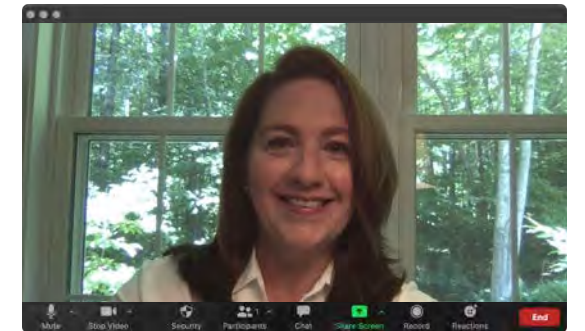
Our business is built on the hard work, skills and expertise of our people. This was never more apparent than in 2020 when our people rose to the challenge of the pandemic. We adapted to new ways of working and utilized innovative solutions for collaborating with colleagues, customers, partners and local communities.

There is no doubt that investing in the growth and development of our employees helps us achieve long term success. We want them to have the skills, commitment and enthusiasm to grow our business and add value for our shareholders. We also want our workforce to be sustainable.

As a company, we are proud of our high levels of employee retention. We have many employees who have been with us for over five years and 40% who have worked with us for over 10 years. Our senior management team is also well established. This helps to create a business culture built around strong relationships. It benefits both our employees and our customers.

We want Innospec to be an attractive career choice for both new recruits and long-term employees. The ability to attract and retain a skilled and diverse workforce is essential to create a culture of innovation and creativity. We recognize that operating as a responsible business is a minimum expectation for people when looking for potential career opportunities. Prospective employees consider a wide range of issues before applying for a job with Innospec such as our commitment to environmental programs, supporting local communities and employee training and development opportunities.

In 2020, we appointed Keller Arnold, as a Non-Employee Director to our Board of Directors. Keller brings valuable skills and experience in financial leadership, revenue growth and corporate development and an extensive knowledge of the specialty chemicals industry.



"It's an exciting time as companies bring sustainability and environmental responsibility to the forefront of their business practices and corporate vision. We all have a responsibility to use our collective creativity and resources to do the right thing for all of our stakeholders. The time is past where sustainability and profitability are seen as competing objectives – we can and will do both. Innospec has been a leader in this area for many years by providing innovative, safe and sustainable products that have a positive impact on both the environment and society.

As a new member of the Board, I look forward to being a strong supporter of Innospec's continued sustainability journey."

Keller Arnold

Non-Employee Director, Innospec Board,
Appointed 2020

Diversity

The geographical and cultural spread of our business ensures Innospec benefits from a diverse range of skills and creativity. People are employed on the basis of merit and ability. We welcome individuals from all backgrounds and aim to treat them with dignity and respect. Current and prospective employees are accorded equal opportunities irrespective of gender, marital status, sexual orientation, race, color, ethnic or national origin, age or disability, religion or belief. Only by encouraging such diversity can we succeed in creating a progressive and culturally aware global company that makes effective use everyone’s talents and experience.

Development and training

The training and development of our employees ensures that we have a competent and experienced workforce, which is essential for building a sustainable business. We offer both internal and external training across our global business to support the continual development of our employees. Where required we develop specific, bespoke training at group level for example our Leadership program. This three-stage program includes two residential sessions and an individual coaching session that is specifically tailored to meet our own business challenges and opportunities. Unfortunately, the planned program for 2020 was not able to take place due to COVID-19 restrictions. This will resume once travel restrictions have been lifted.



“I joined Innospec in April 2020 right in the middle of the first European lockdown. The company offered plenty of practical support and training and everyone kept very calm despite the challenges of a pandemic. Colleagues went the extra mile to make me feel welcome. I now feel part of a large and highly professional family.”

Peter Williams
Regional Sales Manager UK and Nordic Regions

A key part of a sustainable business is preparing for future leaders to take our organization to the next level. This is why we have developed our succession planning program for strategic roles to ensure our business continues to thrive even when the individuals change. We invest a great deal of time finding the right people to fulfil key functions within the organization, ensuring that we are preparing the future leaders of the company. We look for potential within our existing workforce and continue to educate and support individuals, so they develop and excel within our structure.

We believe it is important to help all our employees reach their true potential, which is why we support people studying for higher level qualifications. For example, we are facilitating Seamus Muller an employee based at our Leuna, Germany site to write a master’s thesis on producing electrical energy by using waste heat from a direct burner.

Providing new and existing employees with the support they need to carry out their jobs was especially important in 2020 with the restrictions on travel and working remotely due to COVID-19. In 2020, two new employees were recruited for sales roles with Innospec. Although the pandemic meant they had a challenging start, both report positive experiences. Training and support were provided virtually by the business teams as they learned about our customers, product ranges and markets.



In addition to specific training and development, of equal importance is the support we give our employees who want to further develop their professional contribution beyond their role responsibilities.

Dr Tony Gough, our Director of Innovation for Sustainability, sits on the Society of Cosmetic Scientists (SCS) committee for the International Journal of Cosmetic Science (IJCS) and is also on the editorial board for the International Journal of Cosmetic Science (IJCS). He also sits on the Praesidium of the International Federation of Societies of Cosmetic Chemists (IFSCC) which is dedicated to international education and cooperation in cosmetic science and technology. He will be appointed Vice-President of the IFSCC in September 2021 and its President in September 2022. Tony is also currently Vice-President of the European Committee of Organic Surfactants and Their Intermediates (CESIO) which develops knowledge concerning the safe manufacture

and use of surfactants in order to optimise the continued sustainability of the industry. He will be appointed President of CESIO in September 2021.

Other examples include Jackie Searle, our Business Manager Personal Care EMEA who also sits on the SCS committee and was the President of the SCS in 2017. She is currently the Chair the SCS Formulate committee and also Chair of the Scrub up on Science Committee whose aim is to provide practical and exciting chemistry support to secondary students giving them inspiration and enthusiasm to pursue careers in science. Mark Goodwin, our Manager of Analytical Services also sits on the ACI working group for 1,4 Dioxane measurement and reduction. Allen Robey, our SHE Director, North America has been a member of the North Carolina Local Emergency Planning Committee since 2010 representing both our High Point and Salisbury sites.

Community Engagement

Supporting a sustainable workforce

Building a sustainable business means providing development and training opportunities for the next generation. We are committed to the STEM (science, technology, engineering and mathematics) approach to learning and development that integrates the areas of science, technology, engineering and mathematics. We offer opportunities to young people in the form of apprenticeships, paid internships, trainee programs and work experience at a number of our locations around the world. We provide participants with tailored programs that offer comprehensive practical training and experience.

Despite the pandemic, we are pleased to report numerous successes with our student programs around the world in 2020. Over 90 people benefited from our graduate programs, student placements, apprenticeships, training support, paid internships and work experience opportunities.

At Ellesmere Port, UK we offered eight students the opportunity to complete a year in industry at Innospec. Placements were created in customer care and logistics, chemical engineering, supply chain, R&T and finance. Two undergraduate students also joined us at Ellesmere Port in September for a year as part of their Chemical Engineering degrees. They worked on a variety of projects including plant support, standard operating procedure

development, risk assessment, project investigations and plant performance reporting.

In Herne, Germany, three trainees began their apprenticeships. Study time in college is combined with practical experience working on the job which ultimately leads to a formal qualification. The apprenticeships were in production management, warehouse and logistics and general administration. An apprentice at our Leuna site in Germany originally came to the country as a refugee. Following the successful completion of this three-year program he now works for Innospec as an industrial foreman.

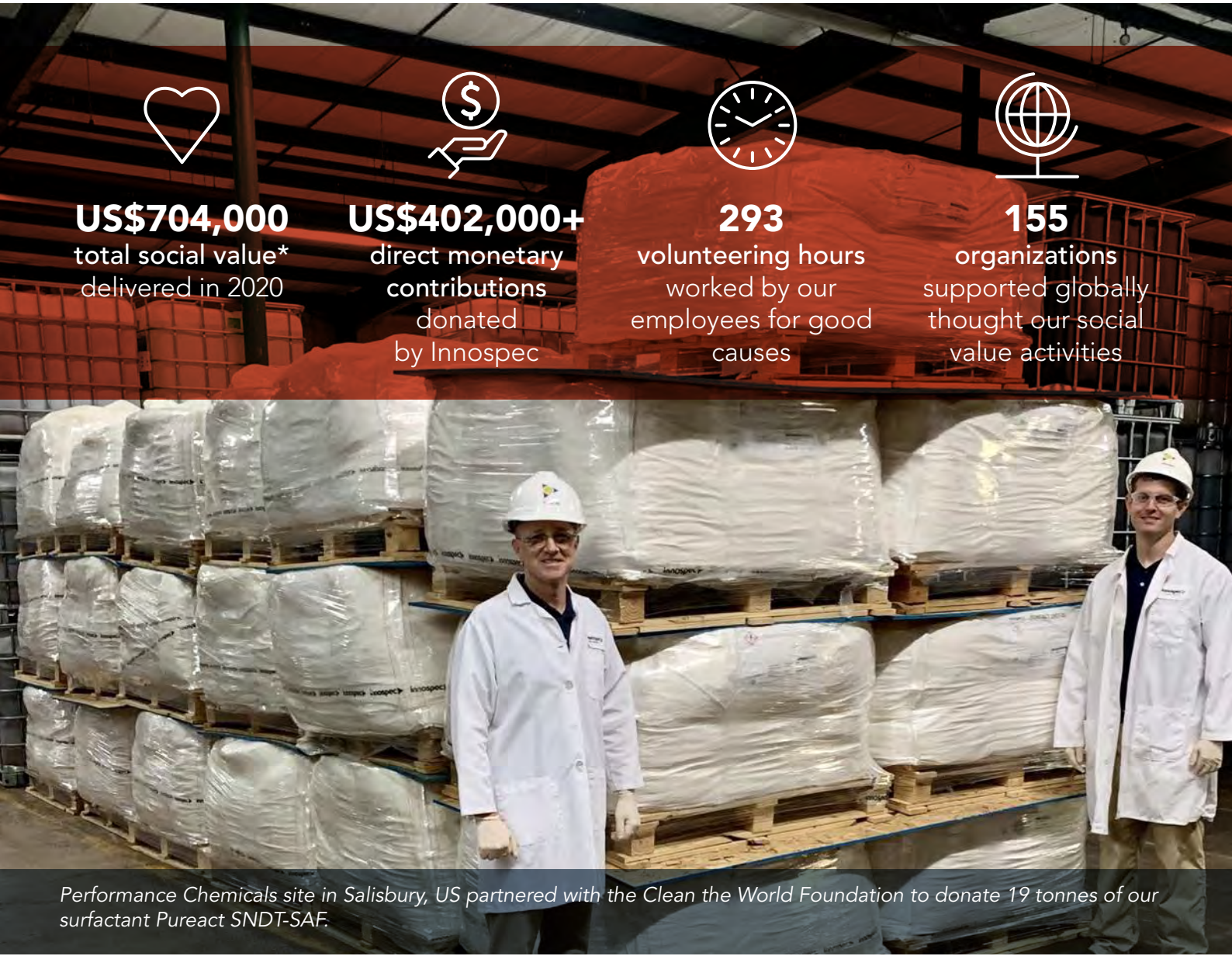
Sharesave Program

Our global Sharesave Program is available to every employee across all businesses and countries. All those who 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. This has proved to be a great way for employees to participate in the success of our business. In 2020, our US 2018 Sharesave Program matured with participants executing their options in November/December. Some chose to retain the shares they received with others deciding to sell on the open market. Our EMEA and ASPAC Sharesave Program will mature in 2021.



Supporting our local communities

We support the social and economic development of our local communities through education, volunteering, fundraising and sponsorship opportunities. Although the pandemic prevented us opening our doors to local groups as we normally would, our people nevertheless worked hard throughout the year to contribute as much as possible to their local communities by participating in volunteering and fundraising activities for worthwhile causes. In 2020, our total social value and community contribution was over US\$700,000.



* Social value captures the value and impact of our global community contribution. This includes monetary donations, volunteer time and in-kind donations.



Our Vernon, France site sponsor beehives to help improve biodiversity and pollination

Business contributions to charity in 2020

In the US we are long-standing supporters of the PenFed Foundation’s Military Heroes Fund. The organization provides much needed support to wounded, ill and injured veterans, service members and their families to help them adapt to life back at home. Unfortunately, COVID-19 restrictions prevented us from hosting our annual Fuel Specialties and Oilfield charity golf tournaments. Nevertheless, we are pleased to report that we managed to raise US\$70,000 to help PenFed continue to provide financial support to veterans and service members during the pandemic.

Our Performance Chemicals site in Salisbury, US partnered with the Clean the World Foundation to donate 19 tonnes of our surfactant Pureact SNTD-SAF. This will be used by the charity to manufacture soap bars to support hygiene in developing countries. Millions of deaths each year are caused by preventable hygiene and water-related illnesses.

Expanding our long-standing partnership with Nuevo Polymers, we teamed up with a local NGO in India in 2020 to help farmers struggling to earn an income in areas suffering from drought. Our Activsoft Guar partnership encourages local people to grow guar. This natural based raw material is used as an ingredient in the manufacture of our Activsoft range that in turn is used by our customers to make sulfate-free personal care products. The partnership provides free guar seed to every farmer that takes part.

Fundraising by Innospec’s sites

Our sites around the world were involved in numerous fundraising activities in 2020. From Christmas appeals to foodbank donations, virtual fun runs to sport sponsorships, we continued to support the communities where our people live and work. In Italy, food and cleaning products were donated to people suffering from the pandemic in Castiglione. Our Vernon site in France continued to donate food and basic necessities to the charity Le Panier Solidaire. The site has also sponsored a number of beehives each year since 2014 to help improve biodiversity and pollination. Information leaflets and pots of honey were handed out to employees and customers to help promote awareness of bees and their role in maintaining biodiversity. In Germany, our sites once again contributed to charities focused on helping the disabled and young people. Among the many charities and organizations to benefit in the UK were the Salvation Army, local schools, a wheelchair basketball club and foodbanks in Cheshire and the Wirral.

Unfortunately, our normal practice of hosting community Open Days at our sites and providing educational workshops at our local schools had to be cancelled due to the pandemic. We are hoping to resume our normal activities once restrictions on social distancing are eased.



Our partner, Nuevo Polymers teamed up with a local NGO in India



Ellesmere Port, UK arranged a Christmas Santa Dash virtual fun run



Our Salisbury, US site raised funds for the children at the North Rowan Elementary School



Innospec Cares

Innospec Cares is our global charitable giving and volunteering program that encourages employees to support and engage with our local communities. In 2020, the program celebrated its fifth year. Since 2016 Innospec Cares has helped to support a wide range of charities and good causes. The total raised in this time now stands at US\$863,000. 452 employee applications for Innospec Cares funding have been received from 26 locations over the same period. All this has helped to support over 350 community groups and charities around the world.

In 2020 alone we raised over US\$182,000 and supported 90 different charities and good causes. A record number of employees and Innospec locations took part, submitting 110 applications from 26 global locations. Despite the pandemic our employees were able to take part in 35 COVID-19 secure volunteering days. This provided almost 300 hours of practical support to the communities in which we operate.

Our Innospec Cares initiative received a Highly Commended award for ‘Sustainability’ in the UK Chemicals Northwest 2020 Awards. The program was recognized for its focus on creating a caring culture where employees are supported and encouraged to make a positive contribution to society and to participate in volunteering and fundraising activities in the community.

“Although 2020 was a challenging year for us all, it was especially difficult for charities and good causes who rely heavily on fundraising activities and volunteers to support the great work that they do. While COVID-19 social distancing restrictions prevented some of the ways that we would normally raise money or volunteer, we were pleased to see that employees stepped up to the challenge and continued to submit their Innospec Cares applications.”

Ian Cleminson
Executive Vice President and Chief Financial Officer


US\$863,000
raised


452
employee applications


350+
community groups and charities helped

Global Innospec Cares charitable activities in 2020

Each year our global charitable giving and volunteering program helps support local or national organizations whose activities fall under one of four categories; Support of disadvantaged groups, human health and wellbeing, educational support and environmental projects. We also provide emergency relief support when an area is affected by an unforeseen natural disaster.



Brain Research UK



Innospec Cares match funded the money raised by an employee who ran seven marathons, on seven continents in seven days. The charity is dedicated to research into neurological conditions including Alzheimer’s disease, dementia, brain tumors, Huntington’s disease, Motor Neurone disease, Parkinson’s disease and strokes.



Meals on Wheels



Six employees from our Salisbury, US facility used their volunteering day to deliver nutritious meals to the elderly and the most vulnerable in their community.



Elton Parish Council



A team of eight employees from our Ellesmere Port, UK R&T department spent their volunteering day planting a new 100-meter hedge in a new community green space in a village local to the manufacturing plant.



Avis Provinciale Montova



A direct giving donation was made to support this Italian based organization. The charity is run in association with the Hospital of Mantova and promotes the need to give blood and plasma. They also help collect and deliver donations to the hospital.



Hospice of the Good Shepherd



Six employees based at our Ellesmere Port UK Site helped to assemble and plant over 1000 handcrafted metal daisies in the grounds of Chester Cathedral in the UK. Each daisy planted is dedicated in memory of someone special.



“It is very satisfying to be able to help charities through something you love to do. I am so pleased and thankful that people I know contribute again and again to my chosen cause. More often than not Brain Research UK is my charity of choice due to the loss of several family members, including my wife, to the vagaries of brain conditions. Life is both cruel and wonderful at the same time.”

Roger Comish
Business Systems Manager

Sunlove Abode

Innospec Cares match funded money raised by an employee competing in a 200km sponsored cycling challenge. The Singapore based charity provides a home, shelter and care for those with learning disabilities and their families.



Cheshire Young Carers

Innospec Cares made a donation to this UK based charity who support young children between 6 and 18 caring for an adult or sibling suffering from disabilities, mental health or substance abuse.



Footprints in the Community

A ‘not-for-profit’ organization in the US received funds to help provide fun community activities and programs for families and children with special needs, inclusive of non-disabled peers.



PAPYRUS

A direct giving donation was made to this UK based national charity dedicated to the prevention of young suicide through support, advice, training and influence.



Capstone Recovery Center

One of our US employees in Salisbury spent her volunteering day teaching a new skill, sign language, to residents at the facility who provide a safe environment for women recovering from addictions to drugs and alcohol.



Environment

Conserving and protecting

Our focus area for the Environment is:

Minimizing impact

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

What's next?

To further develop our strategy to reduce our impact on the environment is a priority going forward.

Read more about our plans to continue to reduce Greenhouse Gas emissions, reduce energy and water consumption, and recover and reuse waste streams.

[Find out more on page 45 >](#)



100%

Renewable electricity

Last year we made a commitment to source all electricity used at our European manufacturing sites from renewable sources. We have not

only met this target but exceeded it. In 2020, all global manufacturing sites sourced their electricity from renewable sources. As a result, our scope 2 Greenhouse Gas (GHG) emissions from the electricity used at our manufacturing sites is now zero.

What you will find in this section of the report

[Our environmental dashboard >](#)

[How we minimize our environmental impact >](#)

[Reducing energy, saving water and handling waste >](#)

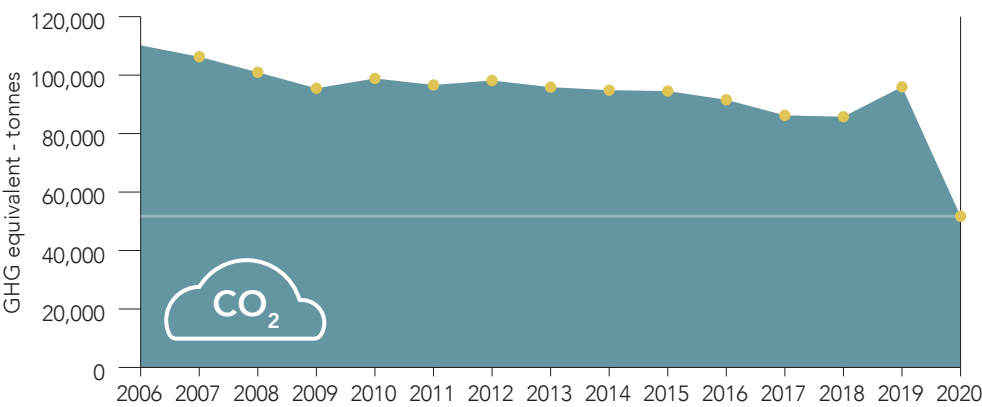
[Independent verification >](#)



Environmental dashboard

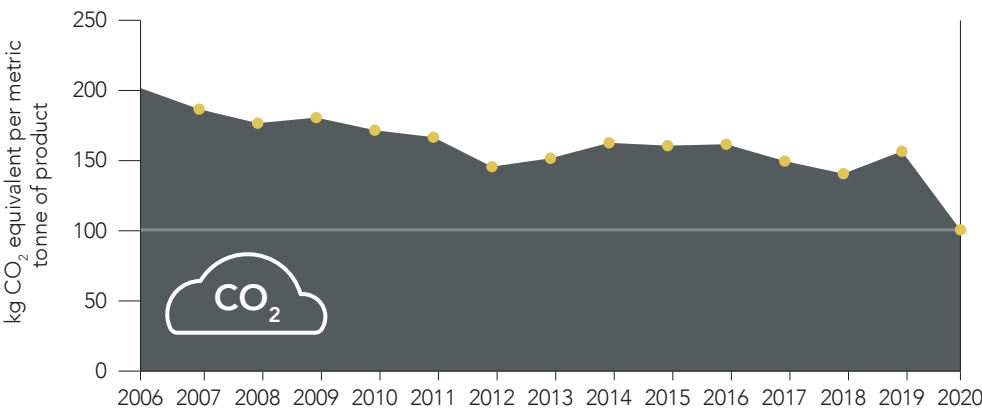
Absolute GHG Emissions

- 51,728 metric tonnes CO₂ equivalent (Scope 1 and 2*)
- 46% reduction since 2019
- 53% reduction since 2006**



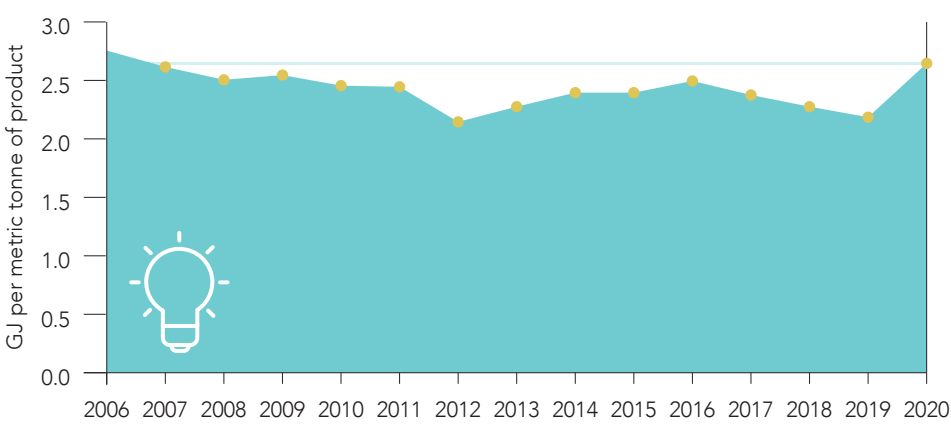
GHG Emissions

- 101 kg CO₂ equivalent per metric tonne of product (Scope 1 and 2*)
- 36% decrease since 2019
- 50% decrease since 2006**



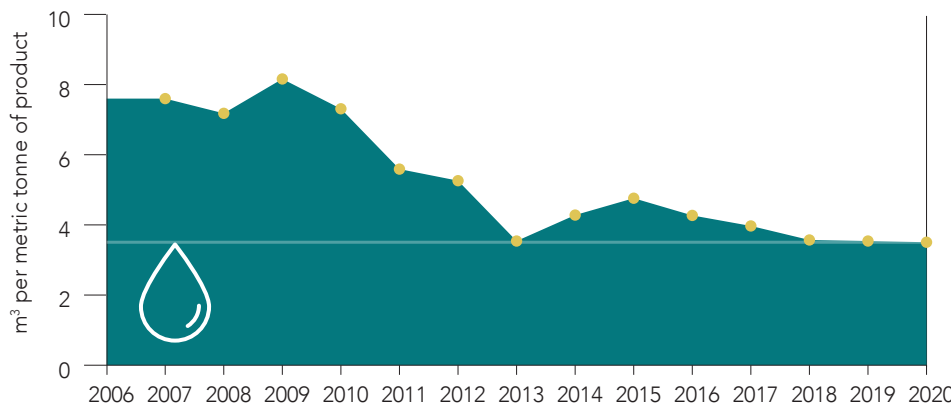
Energy use

- 2.66 GJ per metric tonne of product
- 21% increase since 2019
- 4% decrease since 2006**



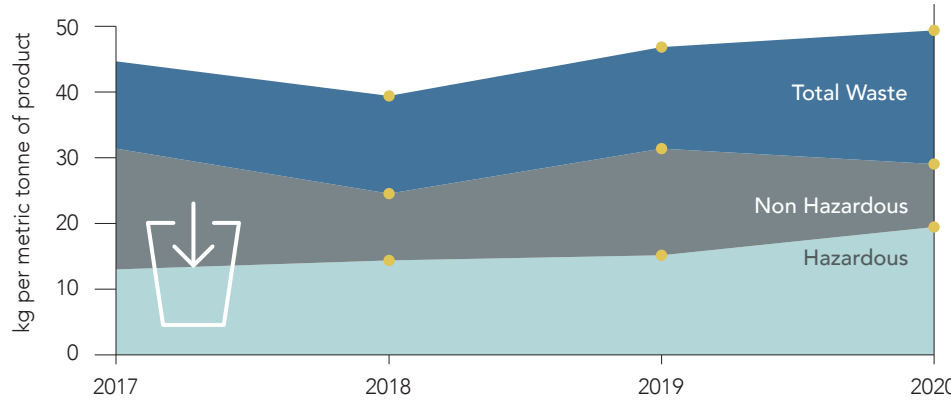
Water use

- 4.03 m³ per metric tonne of product
- 14% increase since 2019
- 47% decrease since 2006**



Total waste

- 50 kg per metric tonne of product
- 5% increase since 2019
- 10% increase since 2017**



*Our emissions are calculated using the reporting year's UK DEFRA and IEA emission conversion factors for greenhouse gas reporting. The reporting of scope 1 and 2 emissions is in line with the GHG Protocol Standard. In previous years we have applied location based factors to our scope 2 reporting. In 2020, we have changed to the use of emission factors in line with the GHG Protocols Scope 2 Guidance for Market Based reporting and applied to all reported years.

** Base line reporting year

Minimizing our impact

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 customers respond to environmental challenges through innovation and improved product performance.



“Through the efforts of all of our employees, despite the pandemic, our environmental objectives remain on track. The fact that all of the electricity at all our manufacturing sites is now from renewable sources is one great step on our journey to redefine our carbon footprint. The already high profile of and focus on, energy, water and waste reduction, will be further developed in 2021 through the application of innovative and new techniques.”

Peter Shields
Group Safety, Health and Environment Director

We have been monitoring and publicly reporting on our environmental performance since 2006. Each year, we report on our impact across the four key areas of Greenhouse Gas (GHG) emissions, energy use, water use and hazardous waste. Since this time, significant reductions have been made in our GHG emissions, energy and water usage.

2020 has created challenges with our approach to environmental performance reporting, which is presented on an intensity, per tonne of product produced basis. The collapse in oil prices followed by the impact of the pandemic reduced worldwide demand. As to be expected, both our Fuel Specialties and Oilfield Services businesses suffered from a dramatic drop in customer demand and hence production volumes were lower than previous years. Although this has led to lower emissions, this has resulted in the overall intensity of our operations increasing for some aspects and a lower reduction in intensity for others when compared to previous reporting years.

Energy Use and Greenhouse Gas Emissions

We recognize the important contribution that businesses can make in helping to reduce global GHG emissions and reduce the risk of climate change. Our climate change position statement is available on our website and sets out our commitment to reducing GHGs. We have made significant reductions in our carbon emissions since our 2006 baseline year.

In 2020, following a change in methodology*, we reduced our absolute Scope 1 and 2 GHG emissions by 46% since 2019 and 53% since 2006. Our GHG emissions intensity decreased by 36% since 2019 and 50% since 2006.

Although a number of our facilities reduced their absolute energy consumption in 2020, the overall reduction in production volume was greater. Our production plants aim to use energy as efficiently as possible; however, they do need a minimum amount of energy to operate. Where production volumes fall below optimum levels, this has an adverse impact on consumption and thereby emissions data. For 2020, this resulted in a 21% increase in the energy use per tonne of product produced since 2019, however a saving of 4% has still been achieved versus the 2006 base year.

In 2020, we have continued to deliver a range of activities and investments to further improve our energy efficiency and reduce our GHG emissions.

Switching to the procurement of 100% renewable electricity at all our manufacturing sites resulted in a significant reduction in our absolute GHG emissions in 2020. Renewable energy now accounts for 27% of Innospec’s total energy mix.

Our global Energy Reduction Group (ERG) is responsible for maintaining a pipeline of energy reduction projects and the sharing of ideas and best practice across the sites. This includes capital investment projects and local initiatives. A dedicated energy reduction fund is made available each year for capital investment projects that support energy reduction projects where the payback period is accepted as being longer than would normally be required. 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.

Going forward, our energy reduction projects and activities implemented during 2019 and 2020 are forecast to reduce annual energy consumption by over 4,033 Mwh and reduce our total group scope 1 and 2 emissions by 30,922 metric tonnes CO₂ equivalent. As a result, we have far exceeded our original target of 2%, instead achieving a 56% reduction based on 2015 baseline.

Projects for 2020 included the optimization of the wastewater bio plant heating system at our site in Castiglione, Italy which will provide a saving of 500,000 kWh in gas usage per year. The site also replaced a rotary engine and increased vacuum efficiency on their Ecodrier plant which in addition to improved overall plant productivity also reduces energy consumption by 350,000 kWh per year.

Improvements made to the air compressor efficiency at our manufacturing facility in St Mihiel, France will reduce electricity demand by 85,000 kWh a year. They also completed upgrades to storage tank insulation systems which will save 140,160kWh of gas per year.

At our site in Ellesmere Port, UK work continued in 2020 on the rationalization and replacement of the site’s ageing electrical infrastructure with the upgrade of three further substations, saving 272,000 kWh of electricity each year. The site also made improvements to the compressed air system, reducing electricity consumption by 181,300 kWh per year. The replacement and upgrade of the lagging system on the sites steam heated storage tanks will provide an additional saving of 35,000 kWh in gas each year. The Ellesmere Port site also switched their fleet of diesel vans to electric vans powered by 100% renewable electricity.

Our supply chain teams continued their efforts to reduce our shipping mileage and the associated emissions by bringing the production of certain products closer to



Responsible Consumption and Production

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, promoting sustainable consumption and minimizing the impact of our operations on the environment. We also look to increase the sustainability of our products and help our customers respond to environmental challenges through innovation and improved product performance.

*Our emissions are calculated using the reporting year’s UK DEFRA and IEA emission conversion factors for greenhouse gas reporting. The reporting of scope 1 and 2 emissions is in line with the GHG Protocol Standard. In previous years we have applied location based factors to our scope 2 reporting. In 2020, we have changed to the use of emission factors in line with the GHG Protocols Scope 2 Guidance for Market Based reporting and applied to all reported years.

our customers. The manufacture of four key products, supplied to our European customers, was moved from our manufacturing facility in North Carolina, US to our Ellesmere Port, UK plant. This helped our Performance Chemicals business to save approximately 85% on the corresponding shipping mileage and associated GHG emissions. Similarly, our Fuel Specialties business saved approximately 51% on shipping miles and associated emissions for a product by moving its production from India to Barcelona, Spain and so closer to the customer base.

Carbon offsetting

As part of our objective to secure renewable energy sources, we purchased Hydro Renewable Energy Certificates (RECS) to offset the 2020 electricity usage at all of our US manufacturing facilities.

Our manufacturing facility in Herne, Germany maintained its carbon neutral status in 2020, through the purchase of 14,000 carbon certificates to offset their 2019 and 2020 energy usage. The certificates are supporting two renewable energy projects involving hydropower in Uganda and wind turbines in India.

For the seventh consecutive year, our Vernon manufacturing facility in France countered the GHG emissions associated with its production energy usage by supporting the planting of trees as part of the TOGO program. The program not only helps to restore areas affected by deforestation, but it also supports the local population thorough the provision of access to water, nutritional food programs and the creation of local jobs.

Water

We recognize the value of using water responsibly. Although none of our facilities that use water in the production process are located in regions of high-water stress, we make sure that we use this valuable resource as carefully and efficiently as possible.

Water usage has reduced steadily over the past 15 years. We are now using 47% less water in our manufacturing than we were in 2006. However, despite a number of sites decreasing their absolute water usage during 2020, overall

SUSTAINABLE
DEVELOPMENT
GOALS

13 CLIMATE ACTION

Clean Water & Sanitation

6 CLEAN WATER AND SANITATION

Climate change is one of the greatest challenges facing the world today. We understand the impact of GHG emissions on the environment and the important contribution that businesses can make towards their reduction. Innospec contributes to SGD 13 indicators 13.1 and 13.3. We support the wider contributions being made to mitigate climate change though our efforts to reduce emissions from our production processes and also the development of innovative products that help our customers to reduce their emissions.

Responsible water management is extremely important in a world that faces increasing drought conditions and water scarcity. Although none of our facilities that use water in their manufacturing process are located in water-constrained areas, we ensure that we use this valuable resource as carefully and efficiently as possible. Our manufacturing facilities have water reduction and monitoring programs in place so that we can identify and implement actions that will reduce our water usage. We report to CDP on our water security every year.

water usage intensity increased by 14%. As detailed earlier in this section this increase is due to the downturn in customer demand and hence production in both our Fuel Specialties and Oilfield Services businesses, resulting in the reduction in efficiency of water use.

Below are some examples of 2020 activities that helped to reduce our water consumption and improve the quality of wastewater discharge from our sites.

At our High Point, US site, improvements were made to their stormwater handling system. Previously, clean storm water collected on site was directed into the city's wastewater system for treatment. The sites drainage systems were changed to divert this water into the city's storm water drains, removing the need to unnecessarily treat clean rainwater.

Towards the end of 2019, we installed a permanent Dissolved Air Flotation (DAF) pre-treatment unit at our Salisbury plant in the US to help improve wastewater quality. In 2020, this resulted in a 79% reduction in chemical oxygen demand (COD) and a 98% reduction in solids discharged from site to the city's wastewater treatment system.

Our site in Ellesmere Port, UK continued the upgrade of ageing underground water main and distribution pipelines which addressed two significant water leaks. The team in Barcelona, Spain is reducing the amount of water used by further extending the switch from water to steam cleaning and ensuring efficient pressure settings are used.

In Herne, Germany the team have focused their water reduction actions on process optimization. Changes to the washing stage of the manufacturing process of a key new fuel additive product reduced the amount of water needed per batch by 27%. Improvements were also made to the cooling water system to prevent the buildup of lime deposits in the reactors cooling jackets, helping to reduce water consumption by 0.8m³ per batch of product.

In Oklahoma and Pleasanton in the US, the sites are reducing water consumption and eliminating wastewater disposal, by reusing wash water as an alternative to fresh water in compatible product batches.

Minimizing our impact

environment 36

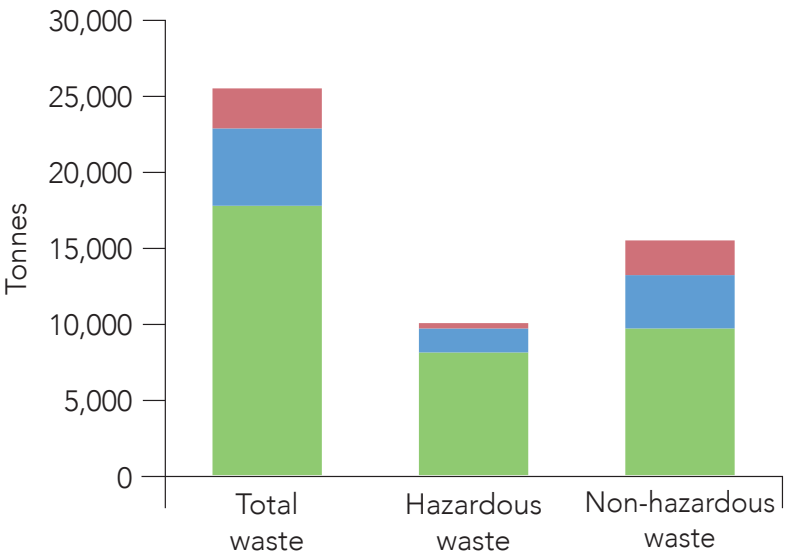
Waste

Across all our facilities we look for innovative ways of handling waste to reduce our impact on the environment. We apply the waste management hierarchy when dealing with the production wastes that we generate. Our first option is to avoid or minimize waste. Where this is not possible then we seek to handle the waste in manner that reduces the impact on the environment through recycling, recovery or reuse.

In 2020, we made the decision to increase transparency with regard to the waste metrics reported. In addition to hazardous waste, we have also reported total waste generated and non-hazardous waste generated. As a consequence, we have reset the baseline for reporting of waste metrics to 2017.

Overall, compared to 2019, we saw a 5% increase in total waste intensity, a 28% increase in hazardous waste intensity and a 6% decrease in non-hazardous waste intensity. The increase in hazardous waste per tonne of product produced was due to three main contributory factors.

Waste handling route



The downturn in production as a result of the pandemic led to an increase in the overall intensity figure. Change in product mix at a number of our sites saw increases in hazardous waste due to the type of products being manufactured in the reporting year. These products had a much higher waste yield than products produced in previous years. Finally, the market for recycling of waste solvent materials weakened significantly in the US. Waste material that in previous years has been sent for reuse as a by-product, as an alternative to virgin raw solvent materials, instead had to be recycled as hazardous waste.

In addition to the reporting of total waste and non-hazardous waste metrics, we are also reporting, for the first time, the handling routes for our waste streams. In 2020, 69% of all waste generated was sent for recovery, recycling or reuse, 20% for treatment or incineration and 11% to landfill. Since 2019 there has been a 60% decrease in the amount of total waste sent to landfill and a 194% increase in the amount sent for recovery, recycling or reuse.

Total waste	
Recovery/recycled	69%
Treatment/incineration	20%
Landfill	11%
Hazardous waste	
Recovery/recycled	80%
Treatment/incineration	16%
Landfill	4%
Non Hazardous waste	
Recovery/recycled	63%
Treatment/incineration	22%
Landfill	15%



2020 activities that helped to reduce waste across our sites and prioritize recovery and reuse included the following;



Our European manufacturing sites were able send over 3,200 product and raw material IBCs (Intermediate Bulk Containers) for reconditioning and subsequent reuse in the market. These containers would have previously been sent for component recycling. This reconditioning route has saved 125 and 48 tonnes of virgin steel and plastic respectively and 331 tonnes of carbon emissions.



With the closure of our Octane Additives business in 2020, we switched our attention to the demolition and recycling of redundant buildings at our Ellesmere Port, UK site and how we could maximize the use and reuse of any waste materials generated. We are pleased to report successful recycling rates of over 98% on our redundant assets. 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. The site also improved their recycling rates for non-hazardous waste through the implementation of a new dedicated cardboard recycling facility and the reuse of pallets.



In addition to the waste savings reported earlier, the changes made to the washing stage of a new fuel additive product manufactured at our site in Herne, Germany also reduced the amount of wastewater generated by 27%. The site also installed a new bulk storage area for a key raw material, enabling it to switch from the use of containerized supply to bulk supply, saving over 1,800 steel drums per year.



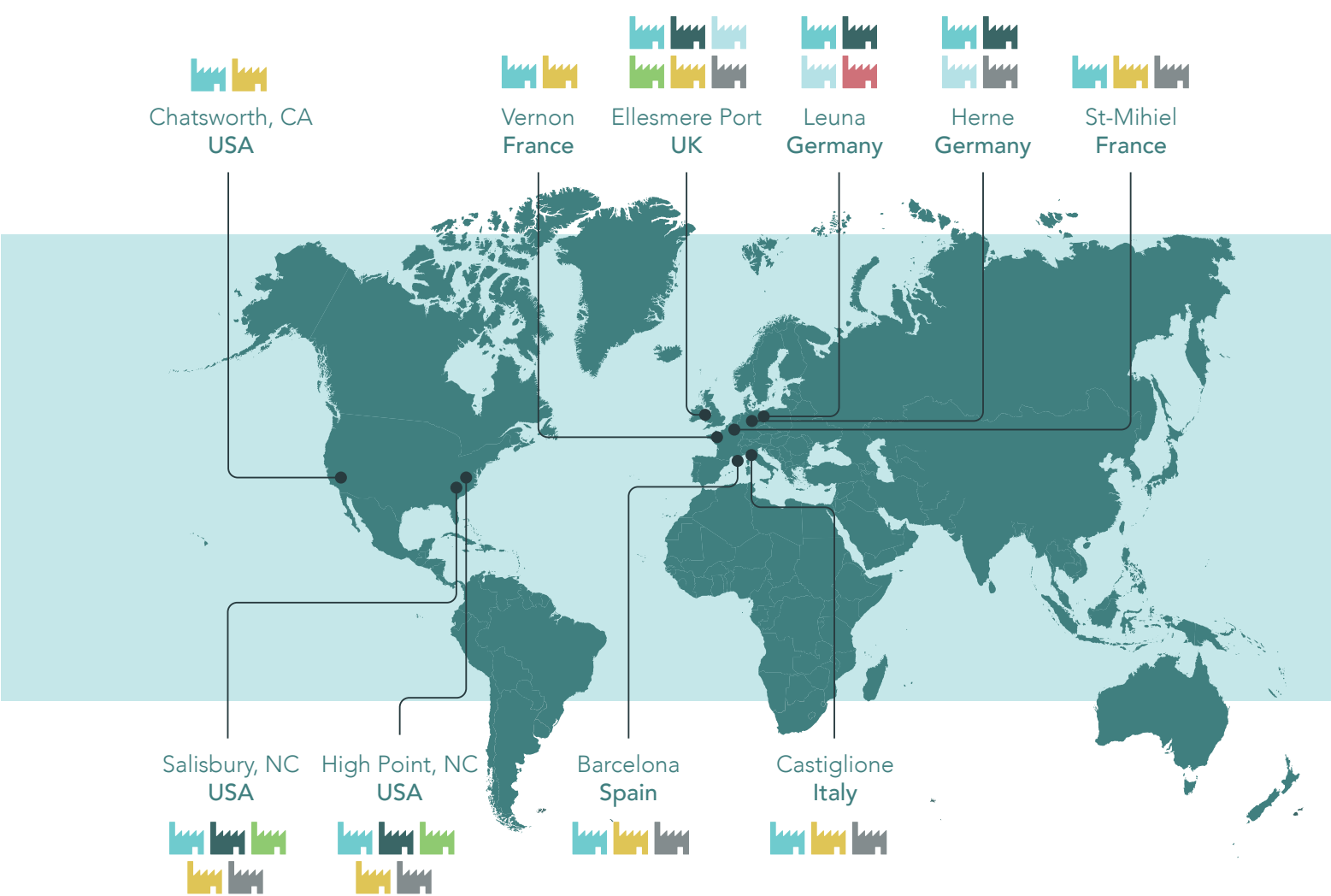
Our site in Castiglione, Italy, has further reduced the sludge and acid waste produced by one of their main production plants by 5%. Likewise, our facility in Vernon, France was able to completely remove waste sludge generation in their iron soap process. These savings were achieved through the implementation of organizational and managerial improvements, increasing the awareness of operators and optimizing the product mix production processes.



Vernon, France and Oklahoma City, US manufacturing facilities both increased their reuse of a number of suitable waste streams by blending them into the production process of other compatible product batches. This reduces the amount of waste sent for offsite disposal and the use of virgin raw materials needed in the production process, demonstrating our efforts in contributing to a circular economy.

Independent verification

Our sites are independently certified to comply with national and international standards on quality, safety, the environment, energy, good manufacturing practice and sustainable sourcing. The map shows which of our sites have received the relevant certifications.



EcoVadis



For the second consecutive year, we achieved the EcoVadis Gold Medal for our sustainability management system and performance. During 2020 we worked hard to improve our management systems, policies and practices. Achieving gold puts us in the top 5% of all companies rated in our sector globally.

EcoVadis is a Corporate Social Responsibility (CSR) platform for supply chain sustainability. It independently evaluates and benchmarks the sustainability performance of over 65,000 companies across environmental, labor and fair business practices. For more information on the platform, visit ecovadis.com.

CDP

In 2020, we again took part in the CDP Supply Chain Disclosure Program. CDP is the largest collection globally of self-reported climate change, water and forest risk data. Through CDP customers and investors are better able to mitigate risk and make investment and procurement decisions that drive action towards a more sustainable world. Following our voluntary submission, we are pleased to report a CDP climate score of B, water security score of B- and supplier engagement score of B-. This places us at the Management level for all three assessments. Our solid performance reflects the year-on-year targeted actions we are taking on the management of climate and water issues.

Our climate score of B was better than the European regional average, the chemical sector average and global average of C. We were pleased to score 'A: Leadership' for both governance and emissions reduction initiatives in these sections of the climate assessment, demonstrating our corporate commitment to addressing climate change. For the first time we also scored 'A-: Leadership' for our business strategy and financial planning with CDP.

CLIMATE

B

Management Level

EMISSIONS REDUCTION A

Leadership Level

GOVERNANCE A

Leadership Level

BUSINESS STRATEGY A-

Leadership Level

WATER SECURITY

B-

Management Level

SUPPLIER ENGAGEMENT

B-

Management Level

Governance

Leading by example

Our focus areas for Governance are:

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.

What's next?

We are further extending the reach of our supplier EcoVadis assessments to include all non-raw material suppliers.

Find out more on page 45 >



94%

Palm mill transparency

In 2020, we joined the Action for Sustainable Derivatives (ASD) initiative which aims to develop a harmonized approach to supply chain transparency, risk monitoring and evaluation. We achieved a 94% transparency for the supplies of our palm oil raw materials at mill level, above the ASD average of 84%.

What you will find in this section of the report

- Policies and procedures to ensure compliance >
- An effective governance structure >
- Compliance training for employees >
- Managing Third Parties Responsibly >
- Quality management and assurance >
- Managing information in a digital world >

Legal Compliance

We take compliance very seriously. It is non-negotiable. Over many years we have worked hard to put robust systems and procedures in place to ensure that our employees, third-party representatives (including agents, distributors and consultants), suppliers and other stakeholders act legally, responsibly and ethically. At the same time, we have established a clear and effective governance structure to oversee, monitor and report on our activities.

Policies and procedures to ensure compliance

In 2020, we updated and reviewed a number of our compliance policies and procedures. We revised our Code of Conduct, Anti-Corruption Policy, Modern Slavery Statement, Competition Law Policy, Export Controls and Trade Sanctions Policy and Reporting Corporate Governance Concerns Policy & Procedures. Updates were also made to our Nominating and Corporate Governance Committee (NCGC) Charter. Communications were sent out globally to promote our new reporting hotline EthicsPoint (see page 41) and the engagement of a new training provider, SAI Global. These are examples that demonstrate our commitment to continually improving compliance.

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. The objectives of these audits are to monitor compliance with various policies and procedures, assess related risks and mitigate any identified.

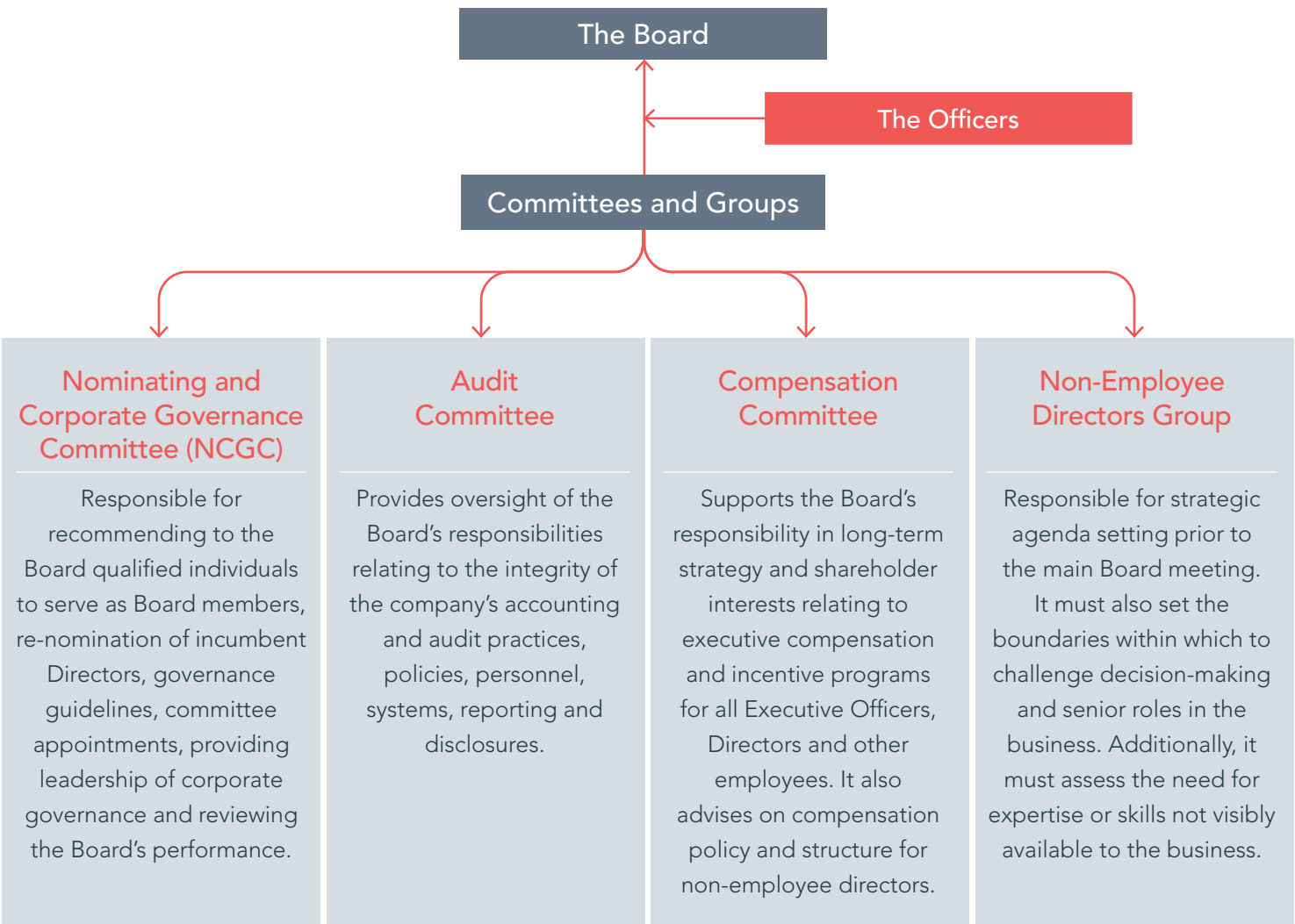
Despite the challenges of the pandemic we were able to conduct a number of compliance related audits during the year. These took place at our sites in Barcelona, Spain and St Mihiel, France. An independent external counsel also audited our agent and distributor in Mexico.

An effective governance structure

Our legal and compliance team comprises highly experienced experts who 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.

Every quarter our Nominating and Corporate Governance Committee (NCGC), a sub-committee of the Innospec Board, meet to report on our compliance program and performance. Key compliance issues are then shared and discussed with our Compliance Steering Group (CSG). This ensures NCGC feedback is promptly fed back into the business and improvements implemented.

Our board governance sub committees



Compliance training for employees

In 2020, we appointed SAI Global as our new online compliance training provider enabling us to release a number of new engaging training courses to our employees. These included training on; preventing bribery and corruption, anti-bribery for business partners, anti-money laundering, conflicts of interest, effective trade compliance and acceptance of gifts.

All these courses are designed to give employees a good understanding of the rules and related risks as they apply to our business and other relevant areas such as export controls and trade sanctions.

For the full year we recorded a completion rate of 99.72% for our employee compliance training. This equates to over 5,700 courses delivered to 1,956 employees.

Whistleblowing procedure

Employees with concerns about illegal, fraudulent or unethical actions can use our confidential reporting hotline. This is available 24 hours a day, 7 days a week. Where local laws allow, the service is also anonymous. It is operated by an independent third-party using local call

numbers and online access. In 2020, we switched to a new upgraded reporting system called EthicsPoint. Although no reports were received via the service during the year, we remain committed to investigating any concerns raised. One or more senior managers would always investigate any report received before recommending and overseeing the appropriate course of action.

Treating everyone with dignity and respect

We firmly believe that all 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, and acts of unfair treatment will not be tolerated.

We do not tolerate disrespectful or inappropriate behavior, unfair treatment or retaliation of any kind. Discrimination, harassment, including sexual harassment and bullying are not tolerated in the workplace and in any work-related circumstance outside the workplace. We treat all complaints of harassment, discrimination and bullying seriously and investigate promptly and, where appropriate, take action.

Managing Third Parties Responsibly

Third-party compliance

We are committed to ethical business practices and every step is taken to actively enforce compliance with all applicable laws, regulations and rules. Ensuring our supply chain complies with legal, ethical, environmental and social requirements is a focus area of our sustainability program.

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 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. In 2020, we terminated one contract for compliance reasons.

All medium and high-risk Third-Party Representatives are required to complete our anti-corruption online compliance training. 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 no sales orders can be processed, or work commissioned. If training is still not undertaken within a reasonable extension period, the relationship is terminated. Our third-party completion rate in 2020 for 217 individuals was 100%. No contracts were terminated or put on hold for failure to complete this mandatory training on time.

Managing Procurement Responsibly

Supplier Code of Conduct

In 2020, we launched and communicated our new Supplier Code of Conduct to all our suppliers globally. It covers the key areas of legal compliance, business integrity, human rights and safety, health and the environment. The document explains clearly how we expect business should be conducted, what management controls and procedures should be in place, how we expect suppliers to treat employees and the types of record keeping required to ensure total transparency.

Find out more >

Conflict Minerals

We are committed to the responsible sourcing of materials, which includes any conflict minerals that are 'necessary to the functionally 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 2020, is published on our website and sets out our expectations of suppliers and customers.

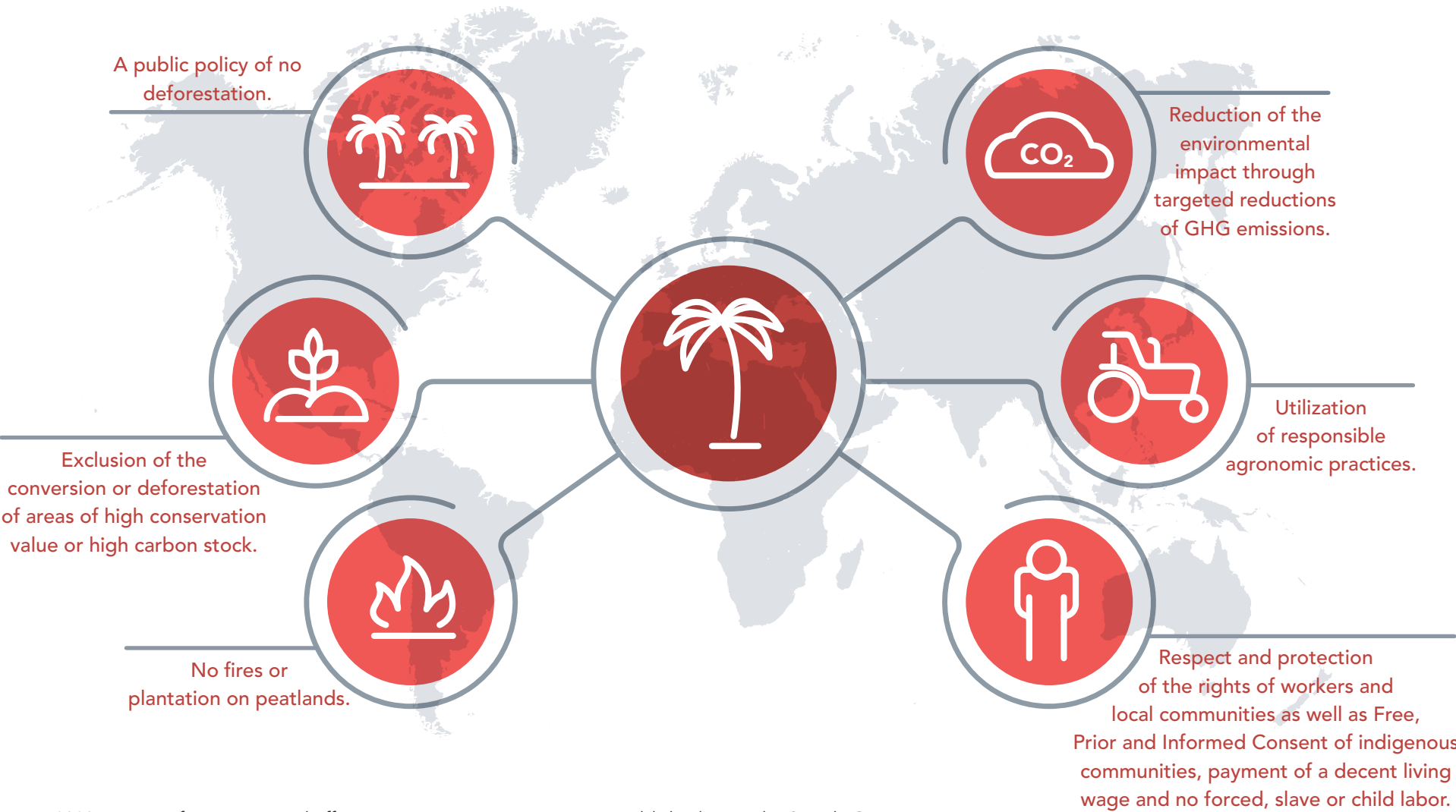
Find out more >



Our commitment to sourcing **sustainable palm oil**

As a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2013, we have a long-term commitment to the responsible sourcing of palm-based raw materials. Demonstrating this commitment, all Innospec facilities that handle palm-based materials are RSPO mass balance (MB) supply chain certified. As such, we can supply our customers with RSPO MB certified products on request. In 2019, RSPO reported a significant increase in the uptake of Certified Sustainable Palm Oil (CSPO) in the industry. We continue to do everything we can to support and encourage the sale of RSPO certified products to our customers.

Our Sustainable Sourcing of Palm Oil and Palm Kernel Oil Derivatives Policy defines our commitments and the steps we are taking towards ensuring that our products are produced only from sustainable palm sources. 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 based on the following:



In 2020, as part of our continued efforts to increase transparency, we published our Palm Supply Grievance Procedure. The procedure details the process to be followed and time scales to ensure any palm grievance or concern received is investigated and resolved.

Our policy, implementation action plan, process report and Palm Grievance Procedure are online.

Find out more >

Palm Supply chain **transparency**

Increasing the transparency of our palm supply chain helps us to highlight any differences and potential opportunities for improvement between our commitments and those of our suppliers.

In 2020, we completed our third annual palm transparency and risk mapping exercise that uses an established methodology endorsed by external stakeholders, rating agencies and coalitions. Working with our direct and indirect suppliers we evaluated our 2019 palm volumes.

We improved transparency levels at the mill level to 94% and at the plantation level to 16%, when compared to 2018 palm volume results. However, there was a slight decrease from 99% for 2018 volumes to 98% for 2019 volumes at the refinery level. This decrease was due to the volumes associated with one non-transparent direct supplier, representing just 0.6% of the total 2019 volume. We also updated our risk assessment at geographical level based on 2019 volumes. Overall, the transparency results achieved for 2019 volumes indicated a high level of transparency and are higher than the ASD member averages of 98% at refinery level and 84% at mill level.

We are committed to undertaking the analysis of our supply chain annually and in 2021 we will be working with our suppliers to achieve our target of full transparency at mill level.

Read more about us at RSPO >

"A sustainable supply chain is critical to enable us to manufacture the products that meet our customers' needs and expectations. We use palm oil and palm kernel oil derivatives in a number of our products for their foaming, detergency, solvency and stabilizing properties. We are working hard to improve the environmental, societal and ethical sourcing of the palm based raw materials we use to help drive the change needed to reach a sustainable future for palm oil."

Jackie Searle
Business Manager Personal Care EMEA



In 2020, we joined the Action for Sustainable Derivatives (ASD) initiative which aims to develop a harmonized approach to supply chain transparency, risk monitoring and evaluation. It is facilitated by Business for Social Responsibility (BSR) and Transitions, two organizations with expertise in the field of supply chain sustainability. With 24 member companies, the initiative aims to create global, transparent mapping of the palm derivatives supply chain and to harmonize approaches on transparency, risk monitoring and evaluation.



Life on Land

We recognize that palm products are a valuable natural resource sourced from high-yielding and land-efficient plantations. Increasing demand for palm oil and palm kernel oil has led to the rapid expansion of palm oil plantations. This in turn has had an adverse effect on the environment and the local communities living in these

areas. Relatively small volumes of palm and palm kernel oil derivatives are used in some of our product ranges. However, we understand the importance of our role in transitioning to more sustainable practices, including NDPE (no Deforestation, no Peat, no Exploitation) compliance.

Improvements to **Supplier Assessment**

ecovadis

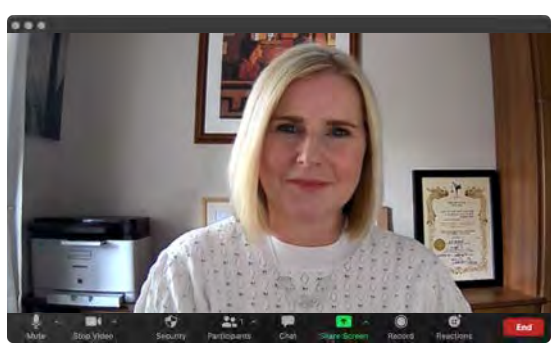
We have used EcoVadis, a supplier sustainability evaluation rating platform, to assess our key global suppliers since 2016. The platform enables us to assess the relative risk of suppliers compared to their databases of over 65,000 global companies in over 160 countries. Our supplier evaluation process incorporates EcoVadis assessment scores into our purchasing and procurement systems and procedures and is a requirement for all raw material suppliers.

In 2020, 180 suppliers were invited to complete an EcoVadis assessment, which covers 87% of our annual spending on raw materials. The results show that our suppliers are performing better than the EcoVadis benchmark across each of the four key areas of environment, labor and human rights, ethics and sustainable procurement. We recorded an impressive 78% response rate from the suppliers targeted, with an average score of 57.1, comparing favorably with the EcoVadis average of 42.9.

We are prioritizing our engagement with high-risk suppliers who scored lower on their EcoVadis assessments, so we can better understand why and use our experience to suggest corrective actions to be put in place. These actions can be generated and tracked using the EcoVadis online platform. Through this process of targeted additional support and guidance from Innospec, we were able to help one of our suppliers increase their score from partial to moderate and in doing so gained their first EcoVadis Silver medal.

New **Central Logistics Hub**

During the year we also launched our new Central Logistics Hub to provide additional support to our Performance Chemicals, Fuel Specialties and Oilfield Services businesses. The hub’s principal aim is to support and drive our logistics strategy across our Europe, Middle East Africa and Asia Pacific regions. It will also be made available to our operations in the Americas if required. The hub takes responsibility for finding, auditing and contracting with our third-party warehousing and bulk storage providers.



“The sustainable sourcing of raw materials used in our product portfolio is of increasing importance. It is vital that we better understand our supply chain to reduce our exposure to ethical, environmental and social risk to drive improvement. Working with our suppliers through our sustainability activities such as the EcoVadis evaluation platform and our sustainable palm program helps us to build strong, long-term relationships with our suppliers and strengthens the resilience of our supply chain.”

Helen Coy
Group Sustainable Development and Senior SHE Manager

Quality management and assurance

Most of our manufacturing facilities have held the Quality Management System (QMS) ISO 9001 for a number of years. The independent certification demonstrates our commitment to consistency, continual improvement and customer satisfaction.

In 2020, we introduced a major change to our quality management systems (QMS). Instead of each site using their own individual QMS specific to their facility we implemented a new harmonized global system that covers all our certified facilities. Having a common approach means that all sites conform to the same QMS in terms of layout and organization. The new QMS e-platform also provides improved document management including controlled editing, archiving and authorizing of procedures and documents.

Despite the pandemic, and necessity for remote working, we maintained our schedule for auditing our suppliers during the year. Sustainability evaluation criteria has also been added to our supplier quality management auditing framework. This reflects its growing importance and helps us monitor the sustainability measures being introduced by our suppliers and their effectiveness.

Managing information in a digital world

New technology is helping us make better decisions and work more efficiently across all areas of our business. As well as investing in new cloud-based collaboration tools, which have come into their own during the pandemic, we are focused on cultivating the expertise of our employees, ensuring they are better placed to take advantage of what the latest IT has to offer.

We are a member of the BCS, The Chartered Institute for IT, and uphold the BCS Code of Conduct. This sets out important standards governing a member's actions in relation to public interest, competence, integrity and professional responsibilities.

In 2020, we updated two important IT policies. Our Change Policy ensures that any changes made to our IT services do not disrupt our day-to-day operations. Our IT System Administrator Policy clarifies the role and responsibilities of our IT administrators who work across our different locations and businesses.

Cyber security

Cyber security continues to be a threat for all businesses globally. It is vital for organizations to combat this threat by creating a risk-aware culture and protecting itself from cyber risks.

We are committed to continually improving our cyber security through investment in our people, processes and IT infrastructure. With the launch in 2020 of our new cyber security strategy and cyber security Program Steering Group (PSG), we have a comprehensive system in place to refine our ability to prevent, detect and react to cyber security incidents which is periodically audited by specialist external IT security resources.

Our PSG committee monitors best practice and ensures our solutions comply with the relevant legislative and regulatory standards on cyber security. It is responsible for increasing awareness and developing our security training. We issue regular communications covering areas such as how to stay safe online, protect against online fraudsters and prevent organized cyber-attacks on our businesses. With more employees working remotely due to COVID-19 in 2020 these risks were elevated.

Communications to raise awareness are backed up by an extensive program of cyber security and phishing training courses. In 2020, we brought in an external cloud education and security provider to help deliver our program. This online service provides multi language packages which can be used by our employees all over the world.

During the year, 1,056 employees completed our Phishing Fundamentals trainings course, 1,315 completed the Security Awareness Proficiency Assessment and 1,238 employees completed a security culture survey. Internal phishing tests were also sent out to see how alert we are to attempts to gather sensitive information through fake emails.



1,056

employees completed the Phishing Fundamentals training



1,238

security culture surveys completed by employees



1,315

security awareness proficiency assessments



Knowledge Management

Our Knowledge Management program has been vital during 2020 in keeping our business running smoothly during the pandemic. As normal routines were interrupted, and many of our employees had to work from home. It enabled our people to continue to work effectively from their new environment.

The program aims to share, organize and collate vital information in sanctioned secure systems so that everyone in our business can maximize the potential of our collective knowledge. To do this we use advanced software tools and work to a common strategy.

A number of areas are already benefiting from this approach. For example, in 2020 we rolled out our new harmonized QMS across all our certified sites (see page 43). We also started work on our Online Product System (OPS) management interface. This brings together relevant product information from around the world into a centralized system, vastly improving our productivity in this area.

During the year we also launched our updated global Startup Authorization System (SuA). This is our central database for documenting, evaluating and approving all the appropriate safety, design and commercial aspects that need to be considered, prior to the safe commissioning of new plants, major modifications and/or new processes and products.

All these knowledge systems contribute to our wider aim of building a sustainable business. Working more efficiently, establishing more robust processes and sharing this knowledge securely is important to maintaining responsible site production. This was never more important in 2020 when we faced the added challenge of the pandemic.

Looking forward

Our plans for 2021 and beyond

We are always looking at how to improve the sustainability of our business. Here are some of our objectives and targets for 2021 and the actions we will be taking during the year.

Strategic pillar		Value	Focus areas
Economic		Responsible Growth <div> </div>	<p>Our business has always grown through a mix of organic growth and strategic acquisition. We will continue to strengthen and increase our market share by actively assessing potential strategic acquisitions, partnerships and other opportunities to see how they fit with our objective of building a sustainable business. We want to enhance and expand our customer offering by extending our technology base, geographical coverage and innovative product portfolio but only if it can be achieved responsibly and in step with our financial and sustainable development goals.</p>
Social		Caring for People <div> </div>	<p>We want to keep improving our health and safety record and exceeding the industry average performance. Our target is to achieve zero fatalities or major, work related injury accidents to employees or third parties. This will require all our sites to continue their development and implementation of an effective Journey to Zero Harm improvement plan. At the same time, we will continue our focus on the implementation of our process safety standards with a specific target of reducing loss of containment events by 5% when compared to 2020. Introducing new measures to support the mental health and wellbeing of our employees is a key objective for the year alongside our continued commitment to supporting local communities through the encouragement of employee participation in our Innospec Cares program.</p>
Environment		Conserving and Protecting <div> </div>	<p>We have set a medium-term objective for all our manufacturing sites to deliver a 10% reduction in Group Scope 1 GHG emissions by the end of 2030. We will look for opportunities to move to renewable sources of energy. Where renewable energy is not an option, we are exploring viable options and timescales for achieving carbon neutral status. In 2021, our manufacturing sites will also be working on new initiatives to reduce water use, improve water quality and minimize the amount of waste sent to landfill.</p>
Governance		Leading by Example <div> </div>	<p>EcoVadis is helping us manage the sustainability performance of our raw material supply chain. We now want to take this initiative further and in 2021 we will extend the requirement to complete EcoVadis assessments to include our non-raw material suppliers. We will also introduce new mandatory certification to demonstrate compliance screening of suppliers across our global business operations. In line with our NDPE (no Deforestation, no Peat, no Exploitation) sustainable palm policy and commitments we will conduct an annual transparency and risk mapping exercise for our 2020 palm volumes, targeting 100% transparency to the mill level. We will also develop and maintain a publicly available palm grievance tracker on our web site to demonstrate transparency in the application and compliance of our NDPE policy.</p>

Jacobs

Assurance Summary Statement 2020

Jacobs has conducted an independent assurance review of Innospec's 2020 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 as well as assessing the reliability and quality of the sustainability information contained within the report. A moderate level of assurance was obtained, which is the level generally adopted by companies when using AA1000 to assure their sustainability report.

This is the sixth year assurance has been undertaken in accordance with the AA1000 Standard, and the second in accordance with the 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.innospec.com

JACOBS, BIRMINGHAM, AUGUST 2021

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

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