



RESPONSIBLE
BUSINESS REPORT
HIGHLIGHTS

2021

creating more together



our strategic approach to **SUSTAINABILITY**

Our sustainability strategy is broken down into four key areas: **environment, social, governance and economic**. We focus on the specific areas where our actions will have the most impact on the long-term sustainability of our business. Our strategy is reviewed annually and was last updated in 2021.



environment

Conserving and protecting

Minimizing impact

Measuring and reducing the impact our activities have on the climate and to the wider environment. Developing innovative products with an improved environmental profile.

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 environmental impact.



social

Caring for people

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.

Our employees

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

Community engagement

Supporting local communities through education, fundraising and sponsorship opportunities.



governance

Leading by example

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. Implementation of robust operating systems and processes that protect the security of the company and its employees, information and intellectual property.

Third-party management

Ensuring our supply chain complies with legal, ethical and social requirements, while also finding opportunities for environmental improvement and economic efficiency.



economic

Responsible growth

Financial 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.

"Thanks to the dedication and hard work of our people, Innospec is in a strong position. In 2021, we took further steps to drive our sustainability strategy forward, recognizing that this is where the opportunities for future growth lie. We want to develop the technologies that have a positive impact on the world we live in. Investment in our infrastructure, facilities and equipment helps us make the most of our talents for innovation, teamwork, problem solving and delivering excellent customer service. These are exciting times for Innospec as we look forward to a successful and sustainable future."

Patrick S. Williams

President and Chief Executive Officer

about **INNOSPEC**

We are a NASDAQ-listed (IOSP) global specialty chemical company operating out of 24 countries across the Americas, Europe, the Middle East, Africa and Asia Pacific. We manufacture and supply a wide range of products through our three business units: Performance Chemicals, Fuel Specialties and Oilfield Services.

Our workforce in numbers



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



Male: 76% (1,462 employees)



Female: 24% (473 employees)

Female employees in senior role: 27% (49 employees)

Female Board members: 25% (2 employees)

Our workforce in numbers



5 years +: 57% (1,106 employees)



10 years +: 39% (748 employees)



2021 highlight

In 2021, we continued investment in our production infrastructure.

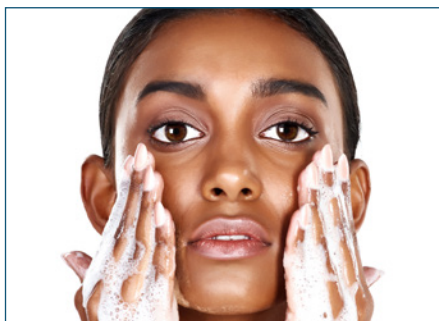
This included the installation of a new and improved high-pressure polymerization reactor at our Leuna, Germany wax plant and a new rail car handling facility and increased production capacity for our key surfactant products at our Salisbury, NC, US site.

economic responsible GROWTH

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

Key business highlights of 2021

This was an important year for all our businesses. Some examples of our successes in 2021 included;



Performance Chemicals

Our Performance Chemicals business announced that the National Medical Products Administration (NMPA) of China approved ISELUX® for use in cosmetic and personal care products. This is a significant achievement for our flagship ultra-mild, sulfate-free surfactant. ISELUX® is only the sixth ingredient to receive NMPA approval under the country's new cosmetics regulations which came into force in January 2021. The approval offers significant growth opportunities going forward.



Fuel Specialties

Our Fuel Specialties business saw a number of major investment projects come to fruition. At Leuna, Germany, we delivered our new replacement state-of-the-art high-pressure polymerization reactor both on time and on budget. It is one of the world's most modern high-pressure polymerization plants. A new STADIS® manufacturing facility was also commissioned at our Ellesmere Port, UK site.



Oilfield Services

Our Oilfield Services business launched HiRate™ MAXX 3200G in response to the formation of an undesirable 'goo' that plagues operators working in iron-rich mineral basins. The 'goo' adheres to surface treating equipment and impairs fluid flow. HiRate™ MAXX 3200G is a high efficiency friction reducer suspension that was specifically designed to provide ultra-fast hydration in fresh, moderate brine or high TDS (total dissolved solids) waters.



Financial performance

Revenue

↑ **US\$1.5 billion** (up 24% on 2020)

Gross Profit

↑ **US\$434.9 million** (up 27% on 2020)

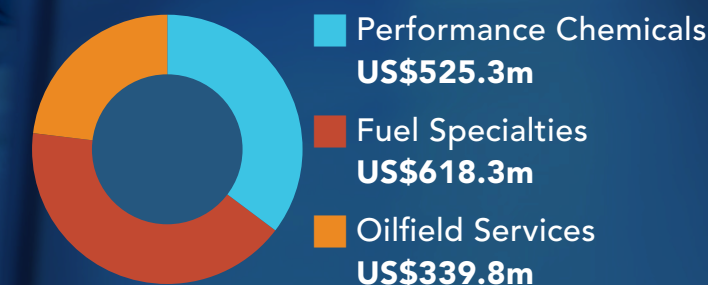
Operating Income¹

↑ **US\$130.3 million** (up 74% on 2020)

Adjusted EBITDA²

↑ **US\$178.2 million** (up 64% on 2020)

Business net sales revenue



All figures rounded to one decimal place.

¹ Income before restructuring and impairment.

² Earnings before Income tax, depreciation and amortization.

Innovation

Innovation is at the center of everything we do. It keeps our core businesses competitive and sustainable.

💰 Over **US\$37 million** spend in Research and Technology (R&T) in 2021 - up 21%

👥 **224 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

Performance recognition

We recognize the good safety performance of our employees through our corporate safety awards and certificate programs.

2021 Corporate safety certificates (employee-hours worked)

- Gold certificate**
3 million employee-hours worked
Herne, Germany
- Silver certificate**
1/2 million employee-hours worked
High Point, US
- Bronze certificate**
1/4 million employee-hours worked
Leuna, Germany

2021 Corporate safety awards (years without an IRLTA³)

- Gold Award**
US\$5,000 donation to charity
7 years without IRLTA
Pleasanton, US
- Silver Award**
US\$3,000 donation to charity
3 years without IRLTA
High Point, US
- Bronze Award**
US\$1,000 donation to charity
1 years without IRLTA
Castiglione, Italy
Leuna, Germany
St Mihiel, France

³IRLTA – Innospec Reportable Lost Time Accident.

Community engagement

In 2021, we supported our local communities through education, volunteering, fundraising and sponsorship opportunities.

- Over US\$663,000** total social value⁴ and community contribution.
- Over US\$527,000+** direct monetary donations.
- 150** organizations supported globally.

⁴Social value captures the value and impact of our global community contribution. This includes monetary donations, volunteer time and in-kind donations.



social caring for PEOPLE

People are at the heart of our business. Our continued success depends on keeping people safe, promoting a healthy lifestyle, protecting human rights, improving education, training and maintaining good relations with our neighbors.

Health, safety and wellbeing highlights

- 13% increase** in the number of near misses raised⁵.
- Over 14,500 hours** of health, safety and environmental training delivered.
- 100%** of manufacturing sites maintained the Controlling rating on the UK Chemical Association's (CIA) health metrics indicator tool, with 85% of sites reaching Best Practice and 70% reaching Advanced in some areas.
- 0.08** reportable lost time accident (IRLTA) frequency rate per 100,000 hours (below industry average of 0.11).

⁵Defined 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.



In 2021, the Innospec Cares program celebrated reaching the significant milestone of raising over US\$1 million for community groups and charities and around the world. In 2021 alone, the program;



2021 highlight

In 2021, our total social value and community contribution was US\$663,000. We also celebrated reaching over US\$1 million raised through our Innospec Cares program since its first launch in 2016. In this time, we have received 636 employee applications for funding and provided over 1,020 volunteering hours, helping to support 346 community groups and charities around the world.

Our Journey To Zero Harm

- 2021 was the fifth year of our behavioral safety program, Journey To Zero Harm (JTZH) during which time we formally documented our JTZH company strategy, conducted impact monitoring reviews at all manufacturing locations and completed the global roll out of our new Slips, Trips and Falls Hazard Awareness module to all employees. We also completed;
- 4,196** JTZH training modules.
- 9,817** management interactions (10% increase on 2020).
- 131,305** 60-second checks (25% increase on 2020).

- raised over US\$213,000.**
- received 167** employee applications.
- 21** Innospec locations took part.
- 424** employee volunteering hours for good causes.
- 86** global charities and good causes supported.



2021 highlight

Our greenhouse gas (GHG) emissions, energy and water use and waste generated per metric tonne of product produced reduced when compared to 2020. We have reduced our absolute scope 1 and 2 GHG emissions by 52% since our 2006 baseline year. We have committed to evaluating options in 2022 that would deliver a net zero emissions target by 2050 consistent with the scope of the Paris Climate Agreement.

environmental conserving and PROTECTING

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.

Environmental performance

The following figures compare performance with 2020 and our baseline year 2006.

Absolute GHG emissions



56,633 metric tonnes CO₂ equivalent (scope 1 and 2⁶)



3% increase since 2020



52% decrease since 2006⁷

GHG emissions



105 kg CO₂ equivalent per metric tonne of product (scope 1 and 2⁶)



2% decrease since 2020



52% decrease since 2006⁷

Energy use



2.77 GJ per metric tonne of product



1% decrease since 2020



6% decrease since 2006⁷

Water use



3.82 m³ per metric tonne of product



5% decrease since 2020



50% decrease since 2006⁷

Total waste



46 kg per metric tonne of product



7% decrease since 2020



2% decrease since 2017⁷

⁶Our emissions are calculated using the reporting year's UK DEFRA and IEA emission conversion factors for greenhouse gas (GHG) reporting. The reporting of scope 1 and 2 emissions is in line with the GHG Protocol Standard including the use of scope 2 emission factors for Market Based reporting. ⁷Base line reporting year.

Verified performance

EcoVadis supply chain assessment

Our sustainability management system and performance received the EcoVadis Gold Rating in 2020 for the second consecutive time. This ranks Innospec amongst the top 5% of all companies evaluated in our sector for their environmental, labor and fair business practices. During 2021, we worked hard to further improve our management systems, policies and practices ahead of our next assessment in 2022.



CLIMATE

B

Management Level

EMISSIONS REDUCTION A

Leadership Level

GOVERNANCE A

Leadership Level

WATER SECURITY

B

Management Level

BUSINESS IMPACTS A

Leadership Level

GOVERNANCE A-

Leadership Level

SUPPLIER ENGAGEMENT

B-

Management Level

SUSTAINABLE DEVELOPMENT GOALS

Our assessment show that we contribute directly 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. More information on the UN's 17 SDGs can be found at www.sdg.un.org/goals

SDG goals we contribute the most to:



Sustainable Sourcing

We are members of Roundtable on Sustainable Palm Oil (RSPO) and Action for Sustainable Derivatives (ASD).



governance

leading by EXAMPLE


Compliance is a non-negotiable core element of our business. We have developed robust systems and procedures to ensure that our employees, third parties, suppliers and other stakeholders behave legally, responsibly and ethically.

Transparent and honest

A number of our key corporate governance policies are publicly available online at:

www.innospec.com/about-us/corporate-governance/

Compliance training

 **1,980** employees enrolled in compliance training.

 **5,986** legal compliance courses completed by employees.

 **247** third parties enrolled in compliance certification.

Managing third parties

EcoVadis assessment has now been incorporated into our supplier evaluation and approval process for all categories of suppliers. Overall, the Innospec supply chain continues to score better than the EcoVadis average.

Cyber security

We are committed to continually improving cyber security through investment in our people, processes and IT infrastructure. In 2021, we rolled out 3,834 training courses and two internal phishing campaigns to increase employee awareness of cyber security threats and how protect themselves and the company.



2021 highlight

In 2021, we delivered 5,986 courses to all employees as part of our annual compliance training and certification program. This included courses on our Code of Conduct, Data Protection, Competition Law and Preventing Bribery and Corruption and Global Modern Slavery amongst others. We recorded a 100% completion rate for our compliance certification program and 99.7% for our compliance training program.

Sustainable sourcing

- Membership of Roundtable on Sustainable Palm Oil (RSPO) since 2013. Check out our progress at www.rspo.org/members
- RSPO MB supply chain certification of all applicable sites enables us to offer certified products where applicable.
- Working with suppliers to ensure that all palm-based materials we procure will be from sustainable sources that comply with NDPE (no Deforestation, no Peat, no Exploitation) principles.
- Increased transparency of our palm based supply chain, achieving 99% transparency at refinery level and 94% at mill level.
- New publicly available palm grievance tracker that provides a summary of the alleged grievances received from third parties and the status and outcome of our investigation.
- Our Sustainable Sourcing of Palm Oil and Palm Kernel Oil Derivatives Policy, implementation action plan, progress report, and Palm Grievance Procedure and tracker are available at: <https://innospecsustainability.com/environment/sustainable-sourcing>.
- Membership of Action for Sustainable Derivatives (ASD), a collaborative initiative working to maximize transparency and sustainability throughout the palm oil and palm kernel oil derivatives supply chain.

looking FORWARD

Our objectives and targets for 2022 and beyond

We are always looking at how to improve the sustainability of our business. Here are some of our objectives and targets for 2022 and the actions we will be taking during the year.

environment



- Work towards achieving our medium-term objective for all manufacturing sites to deliver a 10% reduction in Group scope 1 GHG emissions by the end of 2030.
- Evaluate options, consistent with the Paris Climate Agreement, to enable us to deliver a net zero emissions target by 2050.
- Deliver the procurement of renewable electricity for our 2022 usage while exploring opportunities to use physical sources of renewable energy at our manufacturing facilities.
- Implement new initiatives to reduce water use, improve water quality and maximize the recycling of waste and minimize the amount sent to direct landfill.

social



- Ensure our health and safety record exceeds the industry average performance. Target zero fatalities or major, work related injury accidents to employees or third parties. This requires the implementation of our Journey To Zero Harm strategic plan and assessment of its impact.
- Maintain to the focus on implementing our process safety standards with a specific target of reducing loss of containment events by 5% when compared to 2020.
- Introduce new measures to support the mental health and wellbeing of our employees alongside our continued commitment to supporting local communities through our Innospec Cares program.

governance



- Conduct an annual transparency and risk mapping exercise for our 2021 palm volumes, targeting 100% transparency to the mill level by 2025.
- Increase the number of non-raw materials suppliers invited to complete an EcoVadis supplier evaluation assessment and engage with low scoring suppliers to increase their score.
- Review and benchmark the Innospec Code of Conduct and Annual Modern Slavery Statement to ensure they continue to meet best practice.

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

To contact any other Innospec site, please visit the link 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.
www.innospec.com

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