

Responsible Business

2016 Report

Welcome

CEO Statement 2016



Patrick S. Williams,
President and
Chief Executive
Officer

As we've grown and matured, we recognize that sustainability underpins everything we do. This is why we no longer talk about sustainability in isolation; it is part of our overall integrated responsible business strategy.

Our goal is to develop and provide for the long-term security of our employees, customers and investors. We want to grow while continuing to be financially stable, complying with legislation, recruiting the very best people and delivering innovative new products. This will be done responsibly, being mindful of how we source materials, our impact on the environment and how we support our employees and the communities in which we work.

Innospec is a specialty chemicals company with a wide range of products and consequently a diverse set of stakeholders. In 2016, we worked closely with some of our key stakeholders to identify their priorities and expectations for our company. You can read the engagement process in this report and find out how it has helped influence our strategy by understanding the issues that matter most to our stakeholders.

When I reflect on 2016, I am pleased that our strong foundations have enabled us to manage challenging market conditions while minimizing the impact to our business. I am proud that our employees have embraced the Innospec Cares Program and our other charitable programs enabling us to donate nearly US\$250,000 to good causes.

I am excited that the acquisition of the European surfactants business from Huntsman brings valuable experience and knowledge into Innospec, enhancing our offering to customers in the personal, home care, agrochemical, mining and industrial markets. I am also delighted that the 427 employees who have joined us as part of the acquisition are now part of the global team that continues to be our greatest asset.

For the year ahead, we have a wide range of business goals we need to deliver. We need to keep our people safe, be environmentally and socially responsible, comply with legislation and meet our high ethical standards. In addition, we must continue to innovate while providing customers with a high level of service. These are all fundamental to our continued success.

I hope this report gives you a good overview of our performance and activities in 2016. We look forward to working with you in the years ahead.

A handwritten signature in black ink, appearing to be 'P. Williams'.

Innospec is at an exciting point in its development. We have reported on sustainability for the past 18 years and during that time our approach has evolved and strengthened. At the same time our business has continued to grow, establishing solid foundations for the future of our employees, customers and shareholders.



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This year, we are expanding the scope of our reporting to deliver our first Responsible Business Report. We have included additional information about our commercial activities and business operations, as well as detail on the progress we have made across the four pillars of economic, social, environment and governance. Once again, the contents of this report have been independently verified and assured in accordance with AccountAbility's AA1000 Assurance Standard.

Inside Innospec



We are a NASDAQ listed (IOSP) global specialty chemical company focused on bringing new, innovative technologies to our customers. With approximately 1800 employees in 23 countries, we manufacture and supply a wide range of products through our four business units: Fuel Specialties, Performance Chemicals, Oilfield Services and Octane Additives. Our products are developed, manufactured and distributed from our plants with operational locations based in North and South America, Europe, the Middle East, Africa and Asia Pacific.

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

We recognize that being a responsible business is key to our success. For us, it is an ongoing journey to continue embedding sustainable development into all of our commercial activities, as this is essential for us to grow and advance.

Our Four Businesses



Fuel Specialties

US\$510 million net sales

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

Performance Chemicals

US\$139 million net sales

We work with some of the world's largest brands of personal care products. Our product ranges provide customers with opportunities to create exciting consumer products with real performance appeal. We combine innovative ingredient technologies, such as surfactants, solubilizers, emollients and silicones, with formulation expertise to deliver the right blend of science and creativity. Our product range increased significantly with the acquisition of the European surfactants business from Huntsman in December 2016. The revenue and technology benefits of this important expansion will be seen in 2017 and beyond.



Oilfield Services

US\$192 million net sales

We offer a single source of high-performance novel technologies and support for drilling, completions, production and midstream applications. Our broad product range combined with excellent technical support helps our customers to deliver efficient drilling, fracking, flow assurance and asset integrity while helping to safeguard people and the environment.

Octane Additives

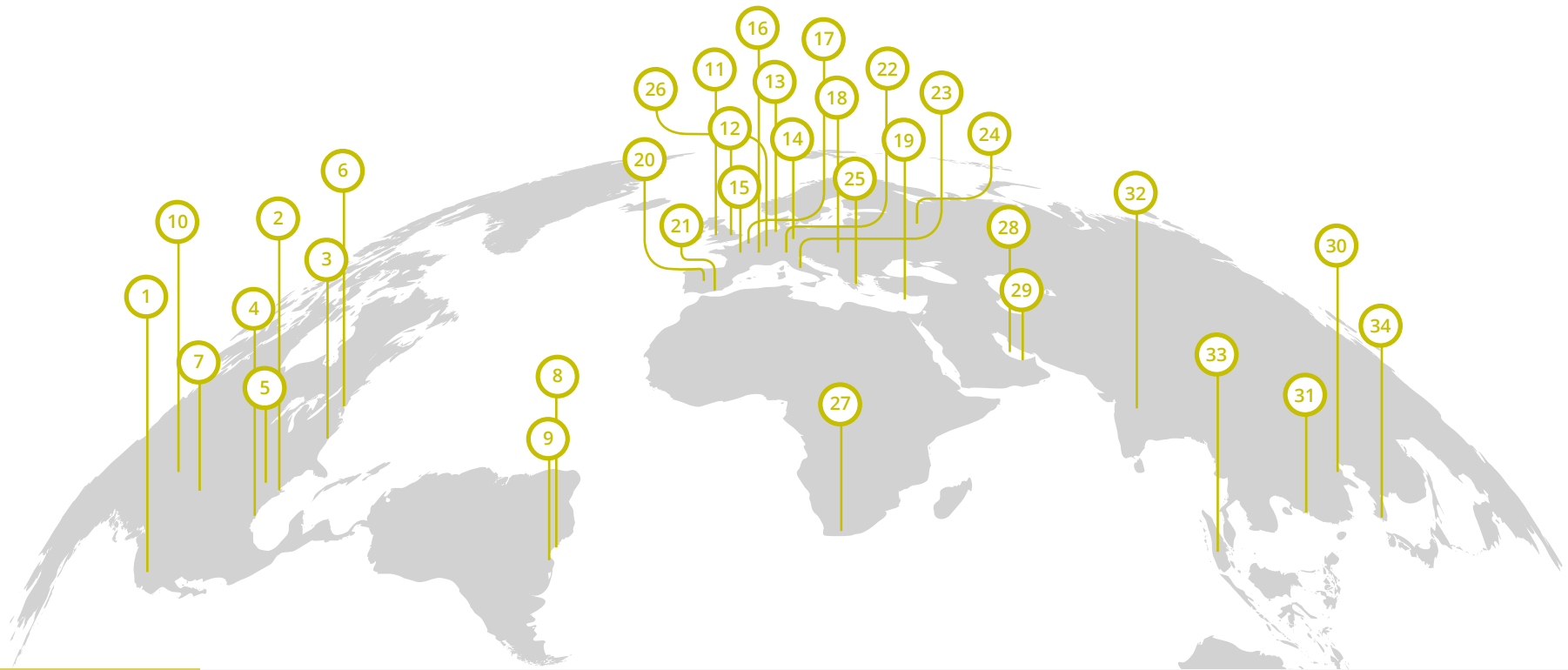
US\$43 million net sales

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



innospec 

Worldwide Locations



KEY

- Manufacturing
- Technology
- Head Office
- Offices/Sales

Americas

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

Europe

- 11 Ellesmere Port, UK ● ● ●
- 12 Millbrook, UK ● ● ●
- 13 Herne, Germany ● ● ●
- 14 Leuna, Germany ● ● ●
- 15 Vernon, France ● ● ●
- 16 St Mihiel, France ● ● ●
- 17 Everberg, Belgium ● ● ●
- 18 Budapest, Hungary ●
- 19 Limassol, Cyprus ●
- 20 Madrid, Spain ●
- 21 Barcelona, Spain ● ● ●
- 22 Milan, Italy ● ● ●
- 23 Castiglione, Italy ● ● ●
- 24 Moscow, Russia ●
- 25 Piraeus, Greece ●
- 26 Zug, Switzerland ●

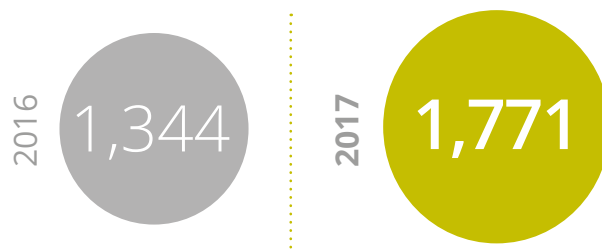
Middle East/Africa

- 27 Cape Town, South Africa ●
- 28 Manama, Bahrain ●
- 29 Dubai, UAE ●

Asia Pacific

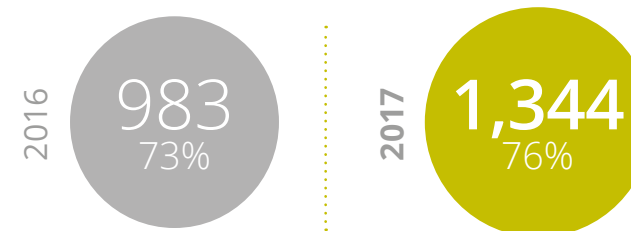
- 30 Beijing, China ●
- 31 Guangzhou, China ●
- 32 New Delhi, India ●
- 33 Singapore ● ● ●
- 34 South Korea ●

Employee Numbers

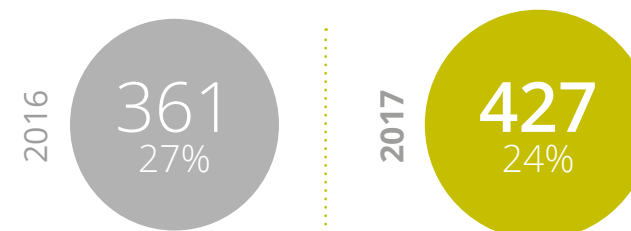


Gender Diversity

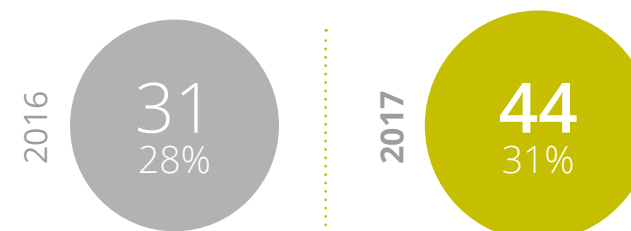
Number of male employees



Number of female employees

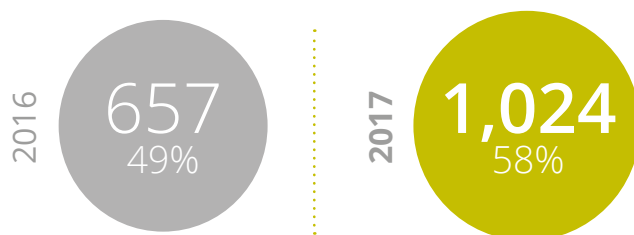


Number of female senior managers

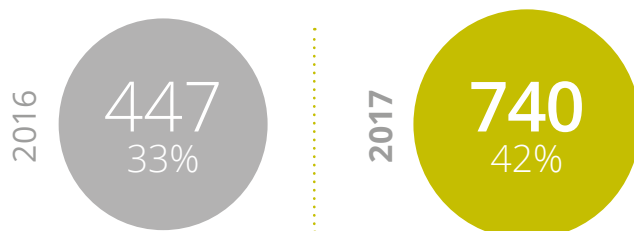


Employee Length of Service

5 years or more



10 years or more



*Following the acquisition of the European surfactants business from Huntsman on December 30, 2016, employee data shows both the position pre-acquisition (2016) and post-acquisition (2017).

2016 Environmental Performance Dashboard



Energy Use

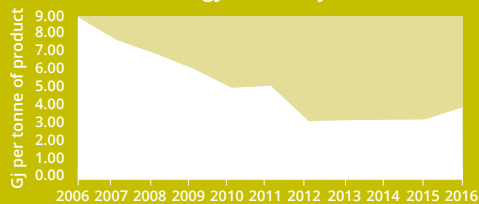
3.52

GJ per tonne of product

56%

reduction since 2006

Energy Efficiency



Greenhouse Gas Emissions

0.27

CO₂ equivalent per tonne of product (scope 1 and 2)

60%

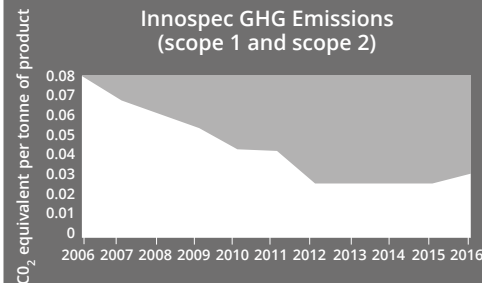
reduction since 2006

As part of our continuous improvement, this year we are also reporting absolute emissions for the first time

54,580
tonnes CO₂
equivalent
(scope 1 and 2)

11%
reduction since
2006

Innospec GHG Emissions (scope 1 and scope 2)



Water Use

3.11

m³ per tonne of product

71%

reduction since 2006

Water Usage



Hazardous Waste

0.018

tonne per tonne of product

30%

reduction since 2006

Hazardous Waste





What Matters Most

Report on Materiality

The relationships we build with customers, suppliers, investors, employees and the communities close to our plants is important to the overall success of our business.

We value these relationships because by listening to and working with our various stakeholder groups, we are able to respond quickly to the constant changes in market demands, product requirements and regulation.

Identifying our stakeholders' priorities, and the sustainability issues that matter the most to them, not only helps us to understand their expectations but is also a key driver for improving our reporting process.

During 2016, we undertook our most comprehensive stakeholder engagement exercise to date. The Global Reporting Initiative (GRI) provides guidelines for companies to report to, including the new G4 framework. We used some of the best practice provided by the G4 framework to identify a number of sustainability issues that were potentially important to internal and external stakeholders.

We consulted with key customers, investors and regulators during a series of in-depth interviews undertaken by independent sustainability experts, IMS Consulting. An internal workshop was also held, to help establish which issues were most important to our colleagues within Innospec. This was attended by senior Innospec personnel and managers from five countries, representing all business divisions, plants and operational

departments including Human Resources, Research and Technology, Purchasing, Manufacturing, Finance, Health and Safety, Communications and Sustainability.

The results of this engagement helped us to establish what matters most to the various stakeholder groups. These results are very important, for a number of reasons:

- The assessment identified the key aspects of our sustainability performance on which to report. The remainder of this Responsible Business Report provides information on the progress we are making in each of these areas.
- The results reinforced the relevance and importance of our sustainability strategy, which is developing across the four pillars of responsible business: economic, social, environment and governance.
- The feedback provided by customers has enabled us to understand more about where we need to focus technology, sales and our overall capital investment. This will further align our strategy with the needs of our key stakeholders.
- The materiality assessment highlighted that there are actually significant differences in priorities from one business division to another.

Innospec has been reporting progress in sustainable development since 1999. During that time, the world has changed a great deal and so have our businesses. With our 2016 Report, we aim to provide more information about our commercial operations and the relationship with sustainable development. Improving sustainability is fundamental to the future prosperity of our business, the welfare of our employees and the success of our customers. We will continue to enhance our reporting progress as a responsible business.

Materiality Assessment










The results clearly identified the sustainability issues that matter most to our employees, customers, supply chain partners, regulators, investors and the communities in which we operate. Each of these issues identified are covered in this report.

The Social pillar of sustainability supports seven material issues that were identified during the process. The feedback from our stakeholders is encouraging because it confirmed that our commitment to health, safety and wellbeing as well as community engagement is well-founded.

The material issues identified under Environment reflect the company's annual objectives to reduce our impact on the environment and energy consumption. Product sustainability is also a key focus area. Stakeholders agreed that innovation plays an important part in the continued prosperity of our customers as well as to our business. This material issue is reported under the Economic pillar.

The material issues identified under Governance primarily relate to our continued license to operate and the way we source materials. Once again, the results confirm the relevance of our key focus pillars.

External stakeholders

Material		<div> Procurement & supplier assessment</div> <div> Community engagement</div> <div> Raw materials & responsible sourcing</div> <div> Climate change (policy & strategy)</div>	<div> Human rights</div>
Likely to be material	Product Packaging Greenhouse gas emissions Benefits to local communities	Work-life balance Effluents and pollutants Emissions	<div> Energy management & reduction</div> <div> Innovation of sustainable products</div> <div> Stakeholder engagement</div> <div> Product stewardship (environment impact)</div>
Unlikely to be material	Water management and reduction Sustainable product and labeling End-of-life disposal	Diversity Recruitment and retention Taxes and financial assistance	Corporate governance
Not material	Transport Freedom of association Cultural heritage Customer privacy Inclusion and equality Industry-wide skills Opportunities for young people Volunteering and charities Site management and remediation	Engagement and satisfaction Labor practices New and emerging markets Advocacy and leadership Economic and business performance Senior executive remuneration	Waste reduction & management Customer feedback and satisfaction Responsible selling and marketing
	Not material	Unlikely to be material	Likely to be material

Internal stakeholders

The Issues That Matter Most to Our Stakeholders

Environment



Energy use

Our consumption of electricity, gas, diesel and other fuels, and how we are managing and reducing their use



Hazardous substances

How we manage, transport and dispose of hazardous chemicals and materials



Climate change

Our corporate approach to climate change, including risk and opportunities



Product stewardship

Our responsibility for minimizing the product's environmental impact throughout its entire life cycle, including end-of-life management

Governance



Business ethics

How we adhere to regulations, internationally agreed standards, codes of conduct and other principles of ethical business



Bribery & corruption

The measures we take to eliminate bribery and corruption



Procurement & supplier assessment

Details of our procurement policies and the extent to which our suppliers are aligned with our sustainability policies, including sustainability screening and assessments



Raw materials & responsible sourcing

The natural resources we use, including raw materials, reused/recycled content and responsible sourcing schemes



Legal compliance

Our adherence to relevant laws, regulations and business

Social



Human rights

Our responsibility to respect the human rights of all our stakeholders



Health & safety

Reduction and prevention of fatalities, injuries and illness to employees, subcontractors, the general public and end-users



Development & training

The skills development, lifelong learning and career growth opportunities we provide to our employees



Stakeholder engagement

How we engage with stakeholders to help us understand their expectations and interests, and the outcomes of these engagements



Communication

How to communicate our actions and performance to stakeholders

Social



Community engagement

The ways in which we engage with the communities local to where we operate to enhance local benefits and reduce negative impacts



Product safety & consumer wellbeing

The measures we take to ensure that our products are safe, enhance consumer wellbeing or are used in responsible ways



Innovation

The ways in which we are encouraging and realizing new sustainable products and services



Business ethics



Health & safety



Development & training



Hazardous substances



Bribery and corruption



Communication



Product safety & consumer wellbeing



Legal compliance

Material

Stakeholder Engagement and Communication

At Innospec we have a diverse range of stakeholders that we need to engage with in many different ways. The table to the right gives an overview of our stakeholders and how we have engaged with them in 2016.



Stakeholder Group

Customers

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

Investors

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

Employees

Engaging regularly with our employees provides an opportunity for us to listen and provide feedback on their individual needs and take on board their views when determining the direction of the business.

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.

Supply Chain Partners

Working together with our supply chain partners enables Innospec to ensure that supply chain risk is managed effectively. This also helps to identify opportunities to improve the sustainability and economic efficiency of our products and services.

Community members

Engaging with our local communities where we operate is essential in maintaining our reputation as a safe and responsible neighbor and has a positive effect on employee motivation.

Non-Government organizations, Sustainability organizations & 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.

Method of Engagement

- 2016 Materiality exercise (see page 9) and questionnaires
- Face-to-face meetings
- Online (teleconferences and website)
- Collaborating on programs including the Roundtable on Sustainable Palm Oil (RSPO) and CDP (see pages 34 and 35)
- Technical support services

- 2016 Materiality exercise
- Quarterly briefings
- Annual General Meetings
- Reporting
- Dedicated Investor section on the website

- 2016 Materiality exercise
- Direct communications (email, CEO updates and team meetings)
- Intranet
- Ethics and compliance hotline
- Annual appraisals
- Sustainable Development Network
- Training and development

- 2016 Materiality exercise
- Participating in consultations, policy forums and advisory groups
- Trade associations

- 2016 Materiality exercise
- Supplier evaluation process
- Procurement and contract management processes

- Local employment opportunities
- Work placements
- Graduate programs
- Community liaison meetings
- Participation in local forums
- Lectures and demonstrations at local education providers
- Safety action notices
- Innospec Cares Program (see page 29)
- Additional donations and sponsorship activities

- Membership of business and industry associations including RSPO
- Participation in CDP supply chain assessment

Our Strategic Approach to Responsible Business

Economic

Responsible Growth

Focus Areas

Economic growth and financial performance

We seek to generate economic benefits for our employees and shareholders, local communities and wider society.

Innovation

We encourage a culture of innovation in product development and application. By continually innovating, we are able to deliver a sustainable future for our customers, employees and other stakeholders.



Social

Caring for People

Focus Areas

Health, safety and wellbeing

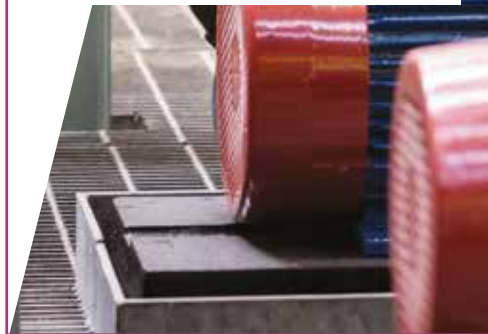
Nothing is more important to us. We aspire to lead on the health and safety of our employees, contractors, surrounding communities and anyone with the potential to be affected by our activities.

Community engagement

We support local communities through education, fundraising and sponsorship opportunities.

Employees

We believe our hardworking team is our greatest asset; investing in their growth and development helps us stand out from our competitors and achieve long term success.



Environment

Conserving and Protecting

Focus Areas

Environment

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

Product sustainability

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



Governance

Leading by Example

Focus Areas

Governance

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

Supply chain management

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



Economic

Responsible Growth

Business Review

In 2016, sales grew in line with our expectations in all three strategic business units: Fuel Specialties, Performance Chemicals and Oilfield Services. Despite the challenging market conditions in some sectors, we ended the year in a strong position achieving over US\$883 million in net sales and an overall gross profit of US\$332 million. Our net income for the year was US\$81 million and adjusted EBITDA was US\$135 million.

In the second quarter of 2016, we finalized changes to our financial performance reporting structure to reflect the development of our management structure and strategy. This change saw Oilfield Services, previously reported within Fuel Specialties, become a stand-alone reporting segment. In addition, financial reporting of our polymers business moved from the Performance Chemicals segment into Fuel Specialties.

Throughout the reporting period we continued to make good progress in product development and manufacturing practices. In December 2016, we acquired the European differentiated surfactants business from Huntsman to continue our strategy of building our presence in the Personal Care and Home Care markets globally. The acquisition significantly increases the range of technology-based solutions for our customers. We are not only focused on our established businesses in personal care and home care, but also on our growing opportunities in the adjacent markets of agrochemicals and mining.



Fuel Specialties

Our **Fuel Specialties** business is one of the largest providers of fuel additives in the world, with customers ranging from national and multinational oil companies to refineries, pipeline operators, fuel retailers, fleets, airlines and shipping lines. We develop, manufacture, blend and supply a wide range of innovative specialty chemical products that are used as additives in a wide range of fuels. These products are designed to improve fuel efficiency, reduce pollution and emissions and make engines safer, more efficient and easier to maintain. In 2016, our Fuel Specialties business delivered a net sales revenue of US\$510 million and a gross profit of US\$186 million.

Performance Chemicals

Our **Performance Chemicals** business provides effective technology-based solutions for our customers in the personal care and home care markets. Our customers in this sector include large multinational companies, manufacturers of personal care and household products as well as specialty chemical manufacturers operating in niche industries. In 2016, the Performance Chemicals business delivered a net sales revenue of US\$139 million and a gross profit of US\$43 million.

Oilfield Services

Our **Oilfield Services** business develops and markets products to: prevent loss of mud in drilling operations; chemical solutions for fracturing and stimulation operations; and products for oil and gas production that aid flow assurance and asset integrity. Our products aim to minimize environmental impact, reduce water use and provide improvements in the efficiency of hydrocarbon extraction. Our proven technology, broad regional coverage and strong customer relationships helped the business deliver a net sales revenue of US\$192 million and a gross profit of US\$76 million.

Octane Additives

Our **Octane Additives** business delivered a net sales revenue of US\$43 million, in line with the planned phase-out of this segment. Sales of tetraethyl lead (TEL) represent less than 5% of our company revenue. As a responsible provider of TEL, used in aviation and motor gasoline, we remain committed to supporting the smooth transition to unleaded gasoline. Throughout this phase-out period, we continue to offer an environmental remediation service to customers, managing the clean-up of redundant plants, as refineries complete the move away from TEL. This product stewardship service includes safety training, along with technical and engineering support.



Best Innovation Contributor Beauty Care 2016 Award

Innospec's Performance Chemicals Business received the Henkel 'Best Innovation Contributor Beauty Care 2016' award. This was in recognition of the substantial contribution made by Innospec in developing a sulfate-free shampoo platform with outstanding performance compared to others currently available on the market.

Innovation

Economic growth enables us to continue our investment in research and technology, skills, training, new facilities, plant and equipment all of which supports the development of novel products. Innovation ensures that we are well positioned for long-term growth and enables us to continue to supply world-class products to our global client base.

All of our core markets rely on a constant stream of new innovative products being developed, which is why in 2016 we continued our strong focus on research, product development, application development and technical support with the investment of US\$25 million in these areas. Innovation gives both Innospec and our customers a competitive edge, which is why many of our products are patent-protected.

We guard our intellectual property closely, which inevitably limits reporting on innovation due to confidentiality. In the last five years, our Fuel Specialties business has developed new detergents, cold flow improvers, stabilizers, anti-foulants, lubricity and combustion improver products, as well as introducing many new, cost-effective fuel additive packages. Our technical capability has also been instrumental in enabling us to produce new, innovative Performance Chemicals products including our Iselux® range.

Oilfield Services offer leading edge chemical solutions supported by best in class engineering and technical services that assist in client asset optimization. Our recent technological advances include static mixers, acid soluble lost circulation materials, flow assurance chemistries, dry chemical packages, scavengers, and wellbore cleaners.

Growing Our Performance Chemicals Business

The acquisition of the European surfactants business from Huntsman, which closed in December 2016, is the largest in Innospec's history and has been incorporated into our Performance Chemicals business. It adds around US\$230 million in sales revenue as well as providing us with additional manufacturing assets in France, Italy and Spain.

Adding this production capability to our existing plants and facilities significantly increases our product offering globally. It strengthens our personal and home care business, as well as expanding our Oilfield Services technical expertise in Europe, and our manufacturing capability for Fuel Specialties. In addition, it provides new market opportunities in home care, industrial, institutional, agriculture, mining and construction.

We were delighted to welcome 427 new employees to our family. They bring with them vast knowledge and expertise that will help us continue to respond quickly to customers' product needs.

"This acquisition will transform our Performance Chemicals business. It adds significantly to our existing business and takes us from being a provider of only high-end products, towards a much wider product range. The synergy between the acquired business and our own will be a great opportunity for our customers, employees, suppliers and investors."

Bruce McDonald,
President of
Performance Chemicals



Providing More of What's in the Bottle

Following the acquisition, we can supply significantly more of the specialty chemicals used in personal care products.



Social

Caring for People



At Innospec, people are our most valuable asset and we recognize the importance of caring for employees, customers, suppliers and the local communities in which we operate.

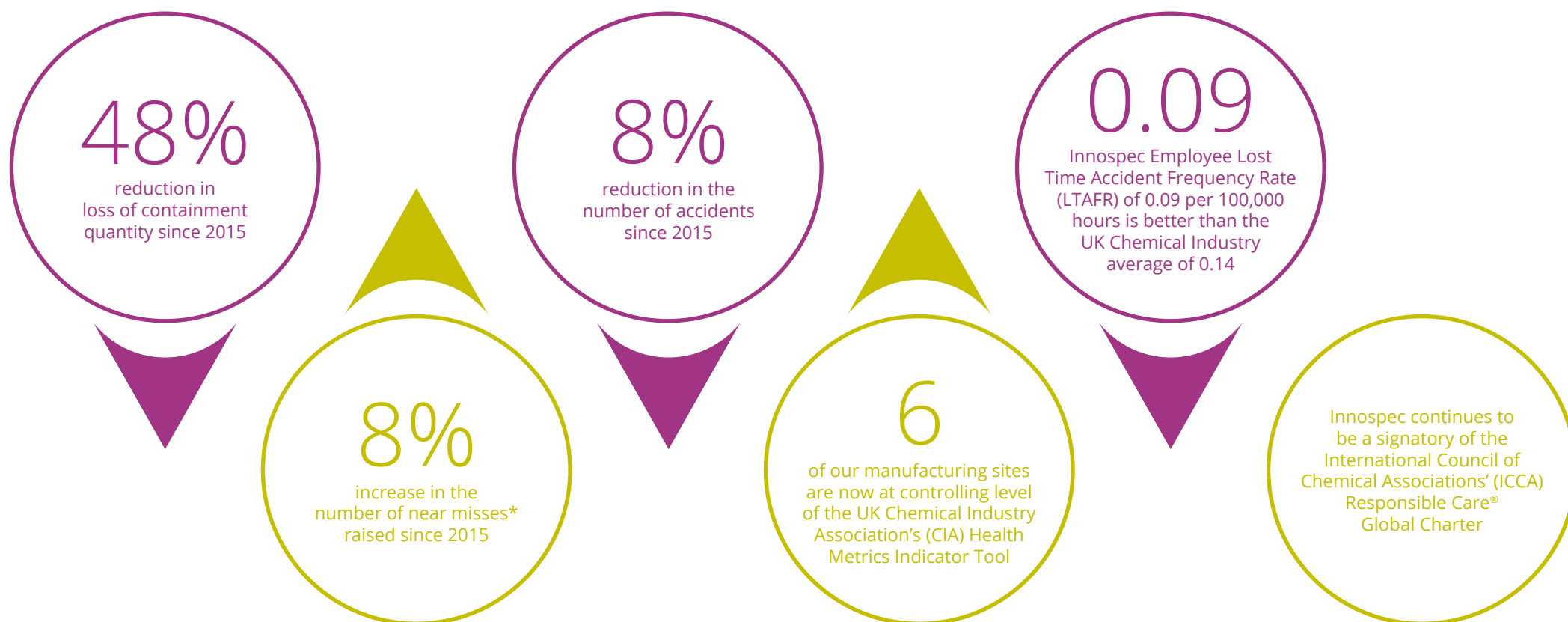
Our continued success depends on keeping people safe and promoting a healthy lifestyle, protecting human rights, improving education, training and maintaining good relations with our neighbors. We take each of these responsibilities very seriously and 2016 saw some exciting and important developments as detailed in the following section.

Health and Safety

The safety of employees, communities and everyone involved in the manufacture, use or disposal of our products is our number one priority. We set high standards for process and occupational safety. The health and wellbeing of our employees is important to ensure that we maintain a sustainable workforce today and in the future.

We have worked hard to establish a strong culture of safety within our organization and this is reflected in our performance. However, we are not complacent and recognize that there is always more to do. This is why we continue to run our site behavioral safety programs and introduced a new corporate process safety hazards awareness course in 2016.

Throughout 2016, Peter Shields, our Group Safety, Health and Environment Director, chaired the UK Chemical Industry Association's (CIA) Process Safety Network, on which he has served since 2007. Peter is also a member of the CIA Responsible Care® Steering Group and contributed to the revision of CIA Responsible Care® Guiding Principles, which has since been signed off by the CIA executive in February 2017.



*A near miss is defined as a learning event that did not cause harm, but had the potential to cause injury or loss. The more near miss events reported and proactively addressed, the lower the likelihood of the event becoming an accident or incident in the future.



Health and Safety Training

Training plays a central role in maintaining our high standards of health and safety. We invest substantially in ensuring that all our employees are equipped with the skills and knowledge that will help them carry out their role safely and professionally.

In 2016, we continued our focus on behavioral safety. All operational and field employees were required to take part in behavioral safety training that:

- **Actively promotes hazard identification and personal safety risk assessments by operational and maintenance personnel**
- **Reinforces the principle that “Safety Comes First”**

In 2016, our UK Ellesmere Port Site delivered their third behavioral safety course. This was expanded to include administration as well as operational personnel, engaging a total of 384 employees. At our Herne site in Germany, all 150 employees attended one of four behavioral safety training days. In the US, our Pleasanton and Midland sites developed and presented their first behavioral safety program to all employees.

This program helps them understand why accidents occur and what can be done to change the behaviors that can lead to these potential outcomes.

Teams across our sites also took a variety of additional local training courses to ensure they are competent and safe in their roles, which included manual handling, stress management, process safety and hazardous materials response.

Our businesses and operations are diverse, as a result of us operating in different regions of the world with different safety legislative requirements. It is essential for us to ensure that we have a common knowledge and understanding of the hazards associated with our activities and the preventative and mitigation controls that are available and used at our facilities. In 2016, a new internal Corporate Process Safety Hazard Awareness Course was developed and delivered to 33 SHE managers, plant managers and engineering personnel in Europe and the US. The intensive, two-day courses focused on identifying hazards, understanding risks and accident prevention.

Process Safety

As a major global producer of specialty chemicals handling high hazard materials, process safety is central to our approach to developing as a responsible business. Our three-tiered approach to process safety ensures that we operate to the highest standards at all times. Any concerns are quickly identified, raised with senior management and addressed.

Process Safety Standards

Our Process Safety Standards are focused fundamentally on the control of critical hazards. They have been tailored to help us maintain a consistent basis of safety for all our processes.

Our standards are reviewed continually against best practice. We amend and add new procedures wherever necessary, following any incidents that occur in the chemical industry.

In 2016 we updated our Safe by Design Standard Start-up Authorization Procedure and also introduced a new Vessel Overfill Prevention Engineering Standard. All process safety standards are applicable to both the production of existing products and the introduction of new products.

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 in order to reduce the chance of recurrence
- **Emergency response** — Minimizing the impact of any emergencies that occur
- **Competency** — Training and assessing our staff to ensure competence before carrying out the operations required



Process Safety Performance Indicators (PSPIs)

Our PSPIs are monitored at a site level and are used to determine the effectiveness of all programs and activities targeted at reducing process safety incidents. The Executive Team discuss all sites' PSPIs at their quarterly review meetings and use the information to identify any areas that need further support or education.

Process Safety Leadership

Introduced in 2010, our Process Safety Leadership program involves the Executive Team undertaking on-site visits. These visits are specifically focused on process safety and demonstrate at local level the Executive Team's commitment to the prevention of incidents and accidents. All established sites are visited on a biennial basis. Sites acquired post-2013 are visited annually to help support the embedding of the corporate process safety system. In 2016, the Executive Team made visits to our Midland, Pleasanton and Oklahoma City facilities in the US.

Continued Improvements in Loss of Containment Reduction

We are committed to ensuring the safe containment of the process materials that we handle at our manufacturing facilities. Our sites are encouraged to report all Loss of Containment (LOC) events regardless of the quantity. LOC events are investigated to fully understand and address the causes and effects. This aims to prevent any recurrence or the possibility of any LOC developing into a more serious event. All manufacturing facilities are required to develop and implement a LOC reduction program that is reviewed quarterly.

In 2016, we recorded a year-on-year reduction of 48% in the quantity of material lost while carrying out a range of prevention activities including:

- The replacement of pumps and seals to increase reliability of the equipment
- Installation of level measurement and overfill protection
- Rationalization of flexible hoses with the installation of fixed lines where possible and operator awareness training

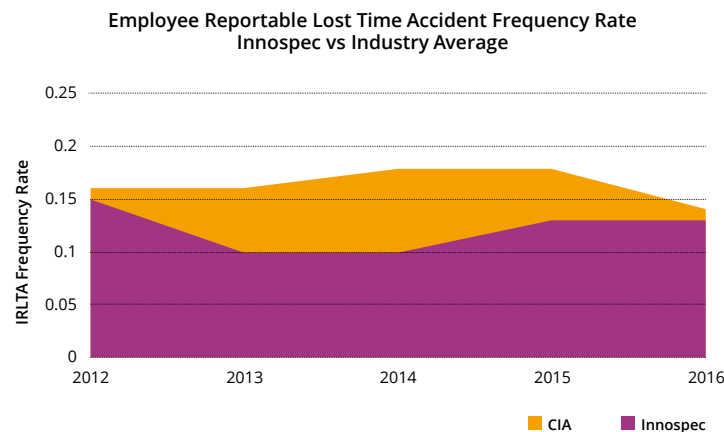
Increasing our Safety Knowledge and Capacity

The recent acquisition has added three further top-tier Seveso sites in Europe. These sites have a strong occupational and process safety culture, complementing the rest of our organization. The acquisition has also enabled us to increase our corporate SHE capacity with three SHE managers transferring to Innospec at the end of 2016.

Safety Performance

We have developed a comprehensive reporting and investigation system to ensure that we can quickly and efficiently establish the causes of all accident, incident and near misses, and are able to take effective corrective action. Each year, we aim to achieve a zero employee Innospec Reportable Lost Time Accident (IRLTA) Frequency Rate. As a minimum acceptable standard, our target is to ensure that we continue to perform better than the industry average for the UK Chemical sector. In 2016, we ended the year with an employee IRLTA Frequency Rate of 0.09 per 100,000 hours, which was better than the Industry average of 0.14.

Although any accident is one too many, we are able to report that only two employee IRLA's occurred in 2016, which is a decrease on 2015. Neither event resulted in any serious or lasting injury and measures were put in place to prevent recurrence.



Recognizing and Rewarding Safe Behavior

We believe that recognizing the good safety performance of our people is key to nurturing a culture of 'Safety Comes First'. Acknowledging good practice and performance at site level promotes safety and raises the awareness of risks. At Innospec, we recognize the efforts of employees through our Corporate Safety Award and Certificate programs.

Corporate Safety Award

Our Corporate Safety Award recognizes sites for achieving one, three or five years without an employee Innospec Reportable Lost Time Accident (IRLTA) by presenting them with a recognition plaque along with a charitable donation.



3 years SILVER

Chatsworth, Salisbury, Crowley, US;
Ellesmere Port, UK;
Herne, Germany;
Vernon, France

1 year BRONZE

Oklahoma City, USA

A US\$1000 donation to charity is awarded with a Bronze plaque and US\$3,000 for each Silver plaque. The total donations for 2016 amounted to US\$19,000. Each receiving site selected a charity to receive their donation. For example, our Herne site in Germany selected a local charity Klinik Clowns that sends clowns into hospitals to help bring a smile to critically ill children. Our Louisiana, US Site made a donation to the Community Outreach Corporation who support terminally ill children.

Corporate Safety Certificate

Our Corporate Safety Certificate program recognizes a number of key milestones of employee hours worked without an employee IRLTA. In 2016, the following sites received safety certificates:

- **Gold certificate (2 million employee-hours worked):** Ellesmere Port, UK
- **Bronze certificate (a quarter of a million employee hours worked):** Oklahoma City and High Point, US

External Recognition

Our Ellesmere Port site in the UK received an Order of Distinction Award from the Royal Society for the Prevention of Accidents (RoSPA) for its excellent health and safety performance in 2016. The award is presented to sites that have received a Gold Award for 15 consecutive years.

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

The Wellbeing of Our People

Promoting and supporting a healthy and active lifestyle for our employees is important to help them maintain their wellbeing, as well as providing a sustainable workforce both now and in the future.

During the year, our sites focused on employee wellness and encouraged individuals to adopt more healthy lifestyles. For example, at our Leuna site in Germany their Health Program included a Health Day, dietary advice, flu jabs and providing ergonomic cushions to office staff. Through activities such as a 'walk at work' initiative, our North Carolina, US wellness program also aims to motivate people to lead healthier lives. Similar education and interventions were undertaken at other sites around the world, these included:

- New shift patterns introduced to reduce rhythm disturbances
- Stress management courses offered to employees
- Quarterly "free fruit" days at our Leuna, Germany facility
- Free flu shots offered to staff at several locations in Europe and US
- Monthly newsletters on subjects such as healthy diet, back safety, weight control and heart disease were provided to employees at our sites in North Carolina, US and Vernon, France



Health Leadership Award

Innospec's Ellesmere Port site won the UK Chemical Industries Association's Health Leadership Award. The award is given to companies that have demonstrated excellence in health leadership and recognized the site's sustained health program and approach to wellbeing issues.



Product Safety and Consumer Wellbeing

Innospec's ongoing product stewardship program ensures that our portfolio of specialty chemical products is responsibly managed and controlled at each stage of their lifecycle, from design and manufacture through to distribution, use and disposal.

Our global regulatory and safety, health and environmental teams consist of a network of experts, who monitor, interpret and apply the wide range of relevant statutory requirements and voluntary undertakings to our products and activities.

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

2016 saw the introduction of a new piece of additional regulatory software from Sphera; Comply Plus, which is a new integrated SDS management system. It allows, for the first time, the storage, retrieval and archiving of SDS documents globally for all businesses in one location.

Ensuring that the users of our products have adequate information to handle them safely, while also protecting the environment is central to our product stewardship activities.

We provide customers with additional technical information on product safety and environmental impact beyond the regulatory requirement of SDSs. This helps users to understand more about the manufacture and testing of our chemicals. As part of our commitment to being a responsible supplier, we regularly monitor upcoming regulations and market trends. Identifying potential changes ahead of the market ensures our products continue to be safe throughout all stages of the lifecycle, including use and end-of-life management. This approach also helps us maintain our competitive advantage.

We are a long-term participant in Responsible Care®, the chemical industry's global initiative to drive continuous improvement in health, safety and environmental performance. We have been a member of the UK Responsible Care® program since it started 26 years ago, and our Innospec Fuel Specialties LLC operations have held their Responsible Care® management system certification since 2007.



Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

Minimizing the Environmental Impact of Our Products

During 2016 we expanded our delivery of concentrated materials to Oilfield customers. An example is our product HiRate D60, a friction reducer used in hydraulic fracturing of oil wells. By moving our products to site as a dry chemical and hydrating in situ, we are able to reduce the number of trucks required to transport polymers to the well site. This helps to reduce emissions and environmental impact.

At Innospec, responsible stewardship plays a key role in business operations and is supported by our commitment to sustainable product development.

Development and Training

The Innospec team is our biggest asset. 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 businesses to support the continual development of our employees. Where required we develop specific, bespoke training at group level. Our Leadership Program, delivered for the second time in 2016 is an excellent example. 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. Bringing people together from across our global businesses also provides invaluable sharing of experiences and an opportunity to build relationships.

During 2016, we launched a completely new two-stage program entitled 'Managing Others' to be delivered regionally in the US and Europe. Designed to improve management skills, the training is aimed at employees who may be new to managing teams and want to develop their skills in this area. Last November saw the first two day session of this course being trialled in the US, with a follow-up session planned for 2017.

Science Ladder

As a company, we drive innovation through investment in research, technology and people. We recognize that attracting, challenging and retaining scientists and technical personnel of the highest calibre is essential to our existing and future business.

Our Science Ladder is a research associate program designed to provide employees in technical roles with the opportunity to advance their careers in science and technology. Through the program, exceptional scientists are encouraged to continue their scientific work and so

ensure that both the employee and the company continue to benefit from the development of technology. The program provides opportunities for personal development, recognition and status for those who participate in it; providing technical guidance to their colleagues and taking a key role in projects requiring a high level of technical expertise. At the end of 2016, we had three Research Fellows (Steve Cook, Clive Waterson and Jim Barker) and one Principal Scientist (Matt Giles).

External Recognition of Talent

Mirko Graf, Maintenance Manager at our Leuna site, Germany received an award for Best Paper at the LDPE (Low Density Poly Ethylene) Plant Improvement Conference in Denver, June 2016. Mirko's paper looked at causes, effects and avoidance of high pressure gas leaks in LDPE plants.



Sharesave Program

Under our 2014 Innospec Sharesave program, in which all employees were invited to take part, participants save a set amount each month over a two (US employees) or three (all other employees) year period. At the end of this time, employees can choose to either receive back the money saved or use it to buy Innospec stock at a discounted price. Our 2014 program, designed to encourage employee investment, was taken up by 58% of our employees.

Recruiting and Retaining Talent

Our employees are at the heart of our businesses. At the end of 2016, we employed almost 1,800 people worldwide. It is their skills, commitment and enthusiasm that delivers our corporate and shareholder growth. We work hard to ensure Innospec is an attractive career choice for both new recruits and long-term employees.

As a company, we are proud of our very high level of staff retention with 33% and 49% of employees having a length of service greater than 10 years and 5 years respectively.

This, alongside a senior management team who have been working together for many years, supports our business culture built around strong relationships that benefits both employees and our customers.

Innospec offers opportunities to young people in the form of apprenticeships, trainee programs and work experience at a number of our sites including Ellesmere Port in the UK, Vernon in France and Herne in Germany. We provide tailored programs that offer comprehensive practical training and experience.



Community Engagement

As a company with an international presence, we take pride in our dedication to supporting the communities in which we work and live. We have a large number of collaborations with local charities and good causes that we establish and renew each year.

The ways we interact and support the social and economic development of the communities in which we operate continue to play an important role in helping us to achieve our sustainability goals.

US\$244,788

US\$244,788 in donations were made by Innospec to 111 world-wide charitable and good causes in 2016. That's a 66% increase on our 2015 total of **US\$147,922**

US\$85,630

Charity golf tournaments held by our Fuel Specialties and Oilfield Services businesses raised **US\$85,630** for the Penfed Foundation Military Heros fund. Increasing the amount raised by our employees, customers and partners since 2007 to **US\$501,330**

€16,709

€16,709 was donated to the German Association for the Protection of Forests and Woodland by our plant in Herne, Germany. A total of **€294,608** has been donated to the organization since 2008

€3,000

€3,000 was donated by our Leuna Site, Germany to help with the preservation of the Kulturhaus Leuna, a local historical congress and meeting center



Community Activities

Employees at our Salisbury and High Point sites, US, continued their support for United Way, a non-profit organization offering support to 50 local community agencies across the areas of education, income and health. In 2016, a total of US\$33,545 was donated through Innospec to United Way with US\$20,845 donated by our employees themselves. In recognition of their great 2016 campaign, our Salisbury site was awarded the Campaign Chairman's Achievement Award in acknowledgement of a 128% increase in fund-raising activities. Our High Point site was also recognized for its 2016 efforts, receiving three additional awards. As a result of the site increasing the funds raised by 91%, High Point were awarded

the Game Changer Award, alongside a Silver Employee Campaign Award for the second year in a row and also the Chairman's award.

Our Ellesmere Port employees took part in a number of fundraising and charitable donation activities from quizzes and bingo events to cake sales. In April 2016, 24 employees took part in a clown themed Charathon. Participating employees cycled, ran or walked up to 16 miles to help raise over £7,100 for two local hospices. Our employees at our Oklahoma City, US site took part in the 2016 Making Strides Against Breast Cancer walk with the team raising US\$495 for a cause close to their hearts.



Inspiring Future Generations

Promoting science and technology to young people help to encourage pupils to feel inspired and motivated towards a future career in these areas.

Our Performance Chemicals Technical group, based at our Ellesmere Port site in the UK, helps support the Science Discovery Centre in Widnes in the UK. This is a family attraction, providing an interactive science centre and museum with the aim of making science exciting and accessible to people of all ages. Our team developed a Showering with Surfactants workshop for the museum's

education program targeted at children aged 7 to 11. In 2016, 374 school children took part in these workshops.

The group also held a Science in Industry day for 80 children, aged 13 to 14, at the local Whitby High School in Ellesmere Port. Children were able to create their own color and fragrance for a shampoo and given the opportunity speak to Innospec chemists about careers in science and technology. The group also delivered a science careers presentation to 20 pupils aged 15 to 16.



innospec cares

Our employees, manufacturing sites and businesses already do a great job of fundraising and have done for many years. We wanted to provide some additional support to our employees in recognition of the great work that they do and the good causes that mean so much to them.

In 2016 we were proud to launch our new Innospec Cares program. The program encourages our employees to engage with communities by nominating local charities and community initiatives to receive a donation from a new corporate fund. The fund makes available donations to local or national charities and community initiatives demonstrating support for:

- Disadvantaged groups
- Encouragement of education
- Human health and wellbeing
- Environmental projects

This new fund is in addition to our other donations for charitable and community support. In 2016, employees from 16 of our global locations participated in the program, resulting in almost US\$100,000 being donated to support 47 different charities or good causes local to where we operate.



16
global
Innospec
locations
participating

"Innospec's kindness and generosity made it possible for our residential child refugees to celebrate Christmas this year."

"Your donation will provide 1,600 nutritious meals at weekends and during holidays for children at 7 local schools in need of food."



"Innospec Cares' generous donation will enable us to refurbish and maintain three low-income rental apartments in Singapore for the elderly and disabled."

2016
total donations
\$99,662



"Innospec's donation enables us to provide more than 11,000 people a month with direct distribution of nutritious food to our neighbors who are in greatest need."

47
charities or
good causes
supported
globally

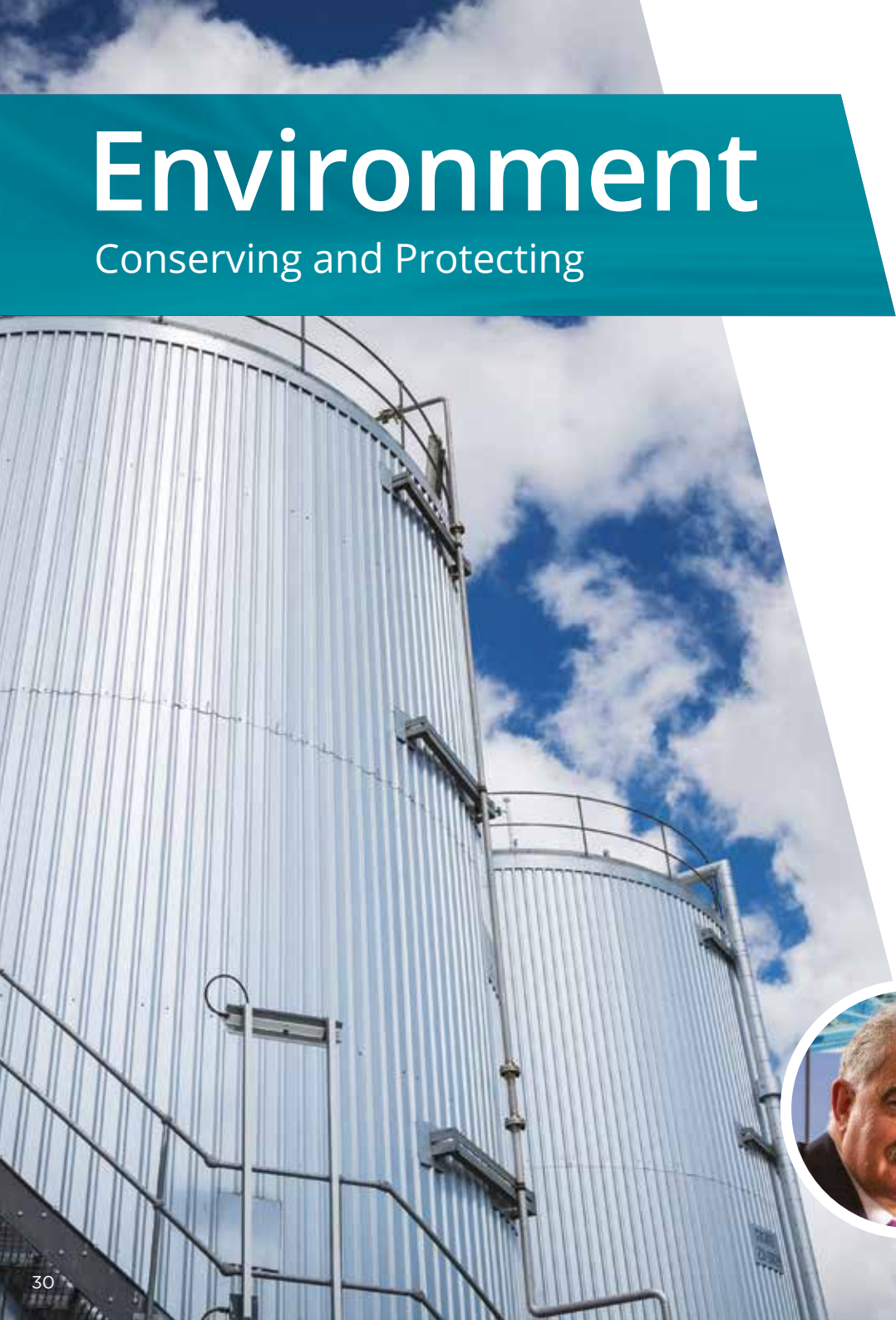


"Innospec Cares' support enables us to continue to provide mental health treatment, communication crisis management and behavior skills support for the most abused and neglected boys in our state."

"Your donation will enable the continued provision of free of charge sports and exercise therapy to cancer patients before and after treatment."

Environment

Conserving and Protecting



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

In this section, we report our impact across four key areas: Greenhouse Gas (GHG) emissions, energy use, water use and hazardous waste. We also give an update on our approach to verifying data and the sustainable sourcing of palm based raw materials. The data reported includes all of Innospec's manufacturing activities during 2016. It does not include any data relating to the recent acquisition as this only completed on December 30, 2016.

A change of product mix at some manufacturing sites, coupled with a downturn in Oilfield sales due to the low price of crude oil during the period of this report, created challenges for our environmental performance in the year.

"The environmental data we report here does not follow the trend of improvements seen since our baseline year of 2006. We have examined the data and understand the reasons for the change. Where it is within our control, we have introduced measures to improve performance, such as the introduction of an Energy Reduction Group."

Peter Shields, Group Safety, Health and Environment Director





Energy Use and Greenhouse Gas Emissions

Overall, our energy use per tonne has decreased by 56% and GHG emissions intensity* by 60% since the 2006 baseline.

However, the positive year-on-year-progress we have been making in energy reduction over the past 10 years has not been maintained in this reporting year. In 2016, the energy use per tonne and the GHG emissions intensity* increased by 21% and 20% respectively compared to 2015.

We have investigated and identified the reasons behind this. Our Oilfield business sales were much lower in the first three quarters of 2016 than in previous years. This was due to the global collapse in oil prices and the resulting impact on customer activity. The reduction in this part of our product mix resulted in the overall intensity of our operations going up, as higher intensity activities were no longer balanced out by lower intensity activities.

The market strengthened in the fourth quarter and energy efficiencies improved in this period.

Data excluding our Oilfield sites shows energy use per tonne and GHG emissions decreased by 9% and 10% respectively compared to 2015.

Although most sites reduced their absolute energy consumption, the reduction in product volume was greater, leading to higher emissions intensity results for the year. 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 intensity data.

**Calculated as Scope 1 and 2 GHG emissions per tonne of product produced*

Our climate change position statement published in 2015 (available at www.innospecinc.com) sets out our commitment to reducing greenhouse gas emissions. Over the past decade our energy and carbon reduction has been significant. Energy used per tonne of material produced reduced by 56% between 2006 and 2016.

In 2016, as part of their ISO50001 Energy Management system, our Leuna site in Germany introduced a new Energy Management system (EnEffCo) that helps to monitor, record and analyze the site's energy consumption. The system has enabled the site to avoid peak loading and control its energy consumption. It also helps to identify areas of high energy use and the effectiveness of any reduction measures that have been introduced.

At Ellesmere Port, UK, work continued in 2016 on the ongoing rationalization and improvements of the site's electrical infrastructure. Three of the site's substations were rationalized into one, replacing the 60 year-old bulk oil switchgear with vacuum insulated equipment, improving safety, efficiency and reliability. Three 1MVA transformers were also decommissioned reducing the site's standby load by 66MWh per year. In the administration building, the site started the installation of LED lighting as part of an ongoing replacement program. These LED lights yield a 45% saving in energy when compared to the current lighting in use.

For the third consecutive year, our Vernon site in France has offset its carbon dioxide emissions based on its 2016 energy consumption. Partnering once again with local organization "Forest and Life", the Vernon site was able to sponsor the planting of 170 trees through the organization's Togo program. The program not only helps to restore areas affected by deforestation, it also supports the local population through the provision of access to water, nutritional food programs and creation of local jobs.

Energy Reduction Group

Recognizing that most of the early gains have now been achieved, a dedicated Energy Reduction Group was established in October 2016. The objective of this international group, led by corporate engineering, is to identify and maintain a pipeline of potential energy reduction projects. These projects are then considered for dedicated energy reduction capital equipment investment funding, where the payback period is accepted as being longer than would normally be required.

Although the Group was only established last October, three projects representing an investment of just over US\$233,000 have already been sanctioned. These include the insulation of storage tanks at our Herne plant in Germany and improvements to steam heating stations and boiler control systems at our Ellesmere Port site in the UK. Eight projects have been identified for potential investment during 2017 alongside a further twenty projects that have already been included in our pipeline for consideration for 2018 and beyond.

The commitment to longer-term funding of energy saving projects reflects our desire to continue reducing energy consumption and greenhouse gas emissions at all of our plants and facilities.



Water

Water usage has reduced steadily for the past 10 years. We are now using 71% less water in our manufacturing than we were in 2006. However, during 2016 water usage increased per tonne of product by 36%. Again, we have examined the reasons for the increase.

The downturn in Oilfield products and a change in mix of manufactured products as detailed earlier in this section both led to the reduction in efficiency of water use. Excluding our Oilfield sites, water usage increased per tonne of product by 3% in 2016. Two one-off events also contributed to the increase. The first involved a leak at our Strata, US site that resulted in a 61% increase in water consumption. The second was as a result of the installation of new process cooling equipment at our Leuna, Germany plant that increased water consumption by 65%. Long term this new equipment will deliver improved process efficiencies.



Protecting Groundwater

We are proud of the progress we have made in reducing the quantity of material lost during 2016 through our Loss of Containment (LOC) programs and continue to focus our efforts on reducing this further. We also recognize the importance of ensuring that we protect the ground and ground water systems where we operate. Investment in infrastructure at our manufacturing facilities on preventative measures demonstrates this commitment.

In 2016, significant infrastructure investment was made at our Pleasanton, US site to upgrade the preventative spill containment provided for the site's bulk tote storage area (approximately 50,000 sq ft). The investment was made as part of a phased program that will see storm water upgrades and the installation of a storm water retention pond.

Our Oklahoma City, US manufacturing site was awarded the Oklahoma City Storm Water Award in recognition of the design, installation and day-to-day management of our onsite containment system. It prevents any loss of containment from entering the city's storm water system, protecting local water quality. In addition, the award also acknowledges that the site has received the highest 'A' rating following each inspection for the past two years.

Water Reduction

Although our production facilities that use water in their processes are not located in water constraint areas, we recognize the importance of using water responsibly and reducing wastage.

In 2016, both our High Point and Salisbury sites in the US invested in new water meters as well as new hot boxes to mobilize raw materials used in production. Prior to this, the sites used steam to achieve the same effect. The new hot boxes not only reduce water and energy consumption at the sites but also improve safety for our operators.

Our Ellesmere Port site in the UK was also able to reduce water consumption on site through the replacement of several high pressure hot water pumps used at the facility with new variable speed drive pumps. Going forward the project is expected to provide a reduction of 1460m³ in water per year along with 5000 therms and 50,000kWhr savings per year of gas and electricity respectively.

Hazardous Waste

The downward trend in hazardous waste generated (per tonne of product produced) did not continue in 2016. The 57% increase seen in the year was due to three main contributory factors:

- **Change in product mix**
- **Downturn in production**
- **Market for recycling**

A change in product mix at our Herne, Germany and High Point, US 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 in previous years. The downturn in production of Oilfield products also had a negative impact, with the market requirements altering the mix of products sold. Higher waste-yielding products continued to be in demand, while demand decreased for the majority of blended products, which produce lower quantities of waste. Excluding our Oilfield sites, hazardous waste increased by 18% compared to 2015.

Finally, the market for recycling of waste solvent materials weakened significantly in 2016. 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.



Hazardous Waste Reduction

In 2016, our Vernon site in France continued its focus on waste reduction efforts. Improvements to phase separation of the iron soap process enabled the site to achieve a 27% reduction in the amount of waste sludge generated and improved the product yield of the process. The site was also able to attain a 39% reduction in the waste water generated by their blending operations. This was achieved by further optimizing product campaigns to reduce both the frequency and amount of water used in the cleaning process. Where feasible the site has also started to re-use cleaning water in the blending process. This has a double benefit of reducing both the amount of waste produced and also the amount of water used at the Vernon facility.

Our Ellesmere Port site in the UK introduced a new procedure for washing out nominally empty phosphorous trichloride drums, rendering the empty drums as non-hazardous waste. Previously, the drums and nominal content were transported off site for third party hazardous waste disposal. The new process generates an effluent that is suitable for treatment through the site's effluent plant, whilst enabling the cleaned drums to be crushed on site and sent off site for metal recycling. This significantly reduces the number of transport movements to the third-party metal recycler and the associated emissions.

Verified Performance



Innospec participated in the CDP (formally the Carbon Disclosure Project) Supply Chain Disclosure Program once again in 2016.

CDP is the largest collection globally of self-reported climate change, water and forest risk data. Through CDP data investors are better able to mitigate risk and make investment decisions that drive action towards a more sustainable world. Using the entirely new scoring framework introduced in 2016 by CDP, we achieved a performance band score of C: Awareness, which compares favorably with the CDP program average and industry activity group average of D: Disclosure.

We also take part in the EcoVadis supply chain sustainability platform to independently evaluate our environmental, labor, fair business and sustainable procurement practices. In 2016 we were awarded EcoVadis Silver status for the second time and saw our score increase from our first evaluation in 2014, demonstrating continuous improvement.

Innospec and Palm Oil

At Innospec we use palm oil and palm kernel oil derivatives in a number of our personal care products, including our Iselux® and Pureact ranges. We recognize that the rapid growth in demand for palm-based raw materials has led to a rapid increase in the number and size of palm plantations, which can have an adverse effect on the environment and the indigenous species living in these areas.

We have been a member of the RSPO (Roundtable on Sustainable Palm Oil) since 2013 and, as a socially responsible company, are committed at main board level to the responsible sourcing of palm-based raw materials.

To achieve this commitment, all applicable Innospec manufacturing sites are RSPO mass balance (MB) supply chain certified and as such we are able to offer our customers RSPO MB versions of our products on request.

We also understand the importance of our role in the education and promotion of the responsible sourcing of palm-based materials with our suppliers, distributors and customers. In 2016, we provided our global distributors with specific training and guidance on the RSPO certification process and its requirements, encouraging them to become members of RSPO and to promote the sales of our RSPO MB certified products.

We also encourage those suppliers who are yet to become RSPO MB supply chain certified to do so through the provision of guidance and support where needed. In November we continued our support and partnership with Chester Zoo's 'Act for Wildlife' program by inviting and sponsoring their representative to present a talk on RSPO and the issues surrounding non-sustainable palm oil at the SCS Formulate exhibition. Attended by formulators from the personal care industry, the Society of Cosmetic Scientists exhibition focuses on raw materials and formulation services for personal care and cosmetic products.

We ensure that our stakeholders are aware of our RSPO membership and progress by communicating through our promotional literature, one-on-one customer visits, trade events and on our corporate website. Visit www.rspo.org for further information.



RSPO-1106327



Governance

Leading by Example

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

Our enhanced compliance program has been in operation since 2008. In order to ensure the efficiency and responsiveness of our compliance policies, they are reviewed at least once a year, updating existing documents or creating new policies when required. During 2016 we also reviewed and revised a number of our existing compliance policies, building on their overall effectiveness, including:

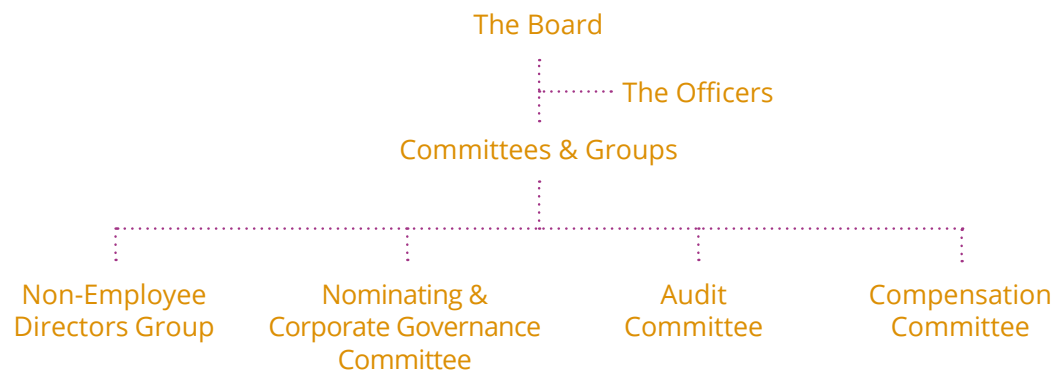
- Anti-Corruption Policy
- Conflict Minerals Policy
- Gifts & Hospitality Policy
- Corporate Governance Guidelines (reviewed in 2015 and published in 2016)
- Reporting Corporate Governance Concerns

Transparent and Honest

All of our Corporate Governance policies are publicly available online at:
<http://www.innospecinc.com/aboutus/corporate-governance>

Governance Committees and Groups

Our compliance programs and efforts are reported to the Compliance Steering Group that meets bi-monthly. The group reports through the Nominating and Corporate Governance Committee to the Board of Directors. The steering group comprises of our Chief Compliance Officer, Head of Business Assurance and senior members of Innospec's commercial and compliance teams. In 2016, we welcomed additional members from our commercial functions providing broader business coverage.



We reported extensively on our governance structure and activities in our 2015 Sustainable Development Report. However, as a business we ensure that we strive to continuously improve on existing and new areas of governance as they arise. Highlights of further progress and improvements that have been made in the past 12 months, linking to the material issues identified by our stakeholders can be found below:

- Continual review of the third party due diligence program
- Code of Ethics updated to include more comprehensive guidance on human rights
- Creation and build of an online, automated platform developed to aid due diligence efficiency
- Conflict minerals disclosure for products manufactured in 2015 published online

Training

Training is a key component of our compliance program, ensuring that our employees and third parties understand and adhere to our approach across all our businesses. Every employee is required to take part in our online certifications and complete our Code of Ethics course, which is offered in seven languages to reflect the global nature of our business and to aid understanding. Employees in the extended training group are also required to complete an additional six compliance courses, which are again offered in multiple languages.

During 2016, an additional 208 new employees were enrolled in our compliance training program, bringing the total number of registered employees to 1,386. Our employees completed 4,680 compliance courses in the year. In 2016, as we do each year, new training modules were developed as required. During the year, we introduced four new courses for employees:

- Information Security – Handling threats
- Social Media – Ponder your posts
- Records Management – Keeping on schedule
- Conflict of Interest – Entertaining clients

In 2016, we achieved a 99% completion rate for all employees and contractors requested to undertake compliance courses and on-line certifications. The completion rate is 100% if we include requests sent out to new starters toward the end of 2016 that were allowed to complete in 2017.

Whistle-blowing Procedure

A confidential whistle-blowing service is available to all employees, operated by an independent third party, Expolink, using local call numbers and online access. Where local laws allow, the service is also anonymous. Any reports received are investigated by a panel of senior managers, who then recommend the appropriate course of action required. In 2016 one compliance related issue was reported to Expolink, which was investigated by our Legal and Compliance team, who were able to satisfactorily resolve and address the issue.

Third Parties

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

All potential customers and suppliers are screened to ensure that they are not currently on any global sanctions or debarred lists. We also undertake due diligence on our agents, distributors and consultants that may include the collation of data via completion of questionnaires, risk screening and interviews. The level of due diligence conducted depends on risk factors such as third party type, territory and business division. As part of our efforts to continue to streamline and improve efficiency, in 2016 we designed, built and piloted our new automated due diligence platform called ComplianceDesktop ready for launch in 2017. The platform moves us away from a paper-based process to an online, automated platform, improving the visibility, efficiency, traceability and record keeping of the process.

All medium and high risk third parties (agents, distributors and consultants) are required to complete our compliance training modules. If training is not completed within the notified time frame, we place the third party on hold, meaning that no sales orders can be processed. If training is still not undertaken within a reasonable extension period set by our Legal and Compliance Department, then the relationship is terminated. In 2016, 100% of all third parties required to undertake online compliance certifications completed the request. We had 343 third parties enrolled for our ethics and compliance training in 2016, demonstrating their commitment to uphold our ethics and standards. In 2016, no third-party accounts were terminated due to failure to complete compulsory compliance modules and certifications.



100%

of all third parties required to undertake online compliance certifications completed the request.

Managing Procurement Responsibly

In 2016 we partnered with EcoVadis, a supplier sustainability evaluation rating platform, to assess our key global suppliers. This platform enables us to assess the relative environmental, ethical and social risk of suppliers, compared with over 30,000 global companies. Fifty of our top global suppliers were initially invited to participate with 44 agreeing to take part. Following the assessment, none of our suppliers were ranked as high risk, only five as medium risk and seven as highly engaged.

Overall, the Innospec supply chain scored better than the EcoVadis average. In 2017 we will reach out to those suppliers ranked as medium risk to encourage improvements in their sustainability practices and offer support where appropriate. We will also conduct a second campaign to assess our suppliers operating in high risk countries.



Conflict Minerals

We are committed to the responsible sourcing of materials, which includes ensuring that conflict minerals are not “necessary to the functionality or production” of our products, as defined under Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Our statement on conflict minerals, published on our website, details our expectations of suppliers and customers. In 2016 we published a Specialized Disclosure Report to the US Securities and Exchange Commission (SEC). This

report details our approach to chain of custody, conflict minerals review program and the due diligence procedures we carry out to minimize the risk of conflict minerals being present in our supply chain. Because conflict minerals were not necessary to the functionality or production of any products that Innospec manufactured or contracted to manufacture for sale in 2016, Innospec was not subject to the SEC reporting rule for the calendar year 2016.

Forward Look at 2017

Social

- Protect the health and safety of employees and third parties
- Enhance our behavioral safety activities through the introduction of a global corporate behavior safety program
- Implement and comply with corporate process safety standards
- Reduce loss of containment events
- Promote the 2017 'Innospec Cares' charitable program to increase both the number of global locations participating in the program and also the number of organizations supported

Environment

- Develop and implement a greenhouse gas (GHG) emission program, targeting projects that will deliver, by the end of 2018, the equivalent of a 2% saving in GHG scope 1 and 2 emissions (based on 2015 baseline)
- Review waste handling methods to maximize recycling, recovery and reuse routes and minimize the amount sent for direct disposal
- Identify and evaluate further water reduction projects
- Evaluate options available to further understand our palm oil and palm kernel oil sourcing in order to facilitate increased transparency in our supply chain

Governance

- Improve the efficiency of our third party due diligence activities through the transition to an online automated platform
- Conduct an evaluation of environmental, governance and societal risks present in our supply chain targeting suppliers located in high risk countries
- Review our current compliance online training program for alternative methods of training delivery, fresh course content and a diversity of languages to match Innospec's needs

SUMMARY ASSURANCE STATEMENT 2016

Jacobs has conducted an independent assurance review of Innospec's 2016 Responsible Business Report in accordance with AccountAbility's AA1000 Assurance Standard 2008. This is the second year assurance has been undertaken in accordance with the Standard. It involved assessing Innospec's adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and assessing the reliability and quality of the sustainability information contained within the report. A moderate level of assurance was obtained, which is the level generally adopted by companies when using AA1000 to assure their Sustainability report.

At the end of December 2016, Innospec acquired the European surfactants business of Huntsman representing a major change to the Innospec business overall. As this acquisition was finalized on December 30, 2016 it was agreed that the 2016 Responsible Business Report scope would not include data or details of the acquired business. It is however acknowledged that progress is being made to embed the sustainability objectives and approaches across the acquired business and this will be reported within the 2017 sustainability report.

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

Jacobs, London, August 2017

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our website above.

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