



2016 Responsible Business Report

Innospec Inc.

Assurance Statement

Final 1.1

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Document history and status

Revision	Date	Description	By	Review	Approved
1.0 FINAL	06/09/17	Assurance Statement – FINAL 1.0	Lynsey Clarke	Lucy Chapman	Lucy Chapman
1.1 FINAL	06/09/17	Updated Assurance Statement – FINAL 1.1	Lynsey Clarke	Lucy Chapman	Lucy Chapman

Assurance Statement

Jacobs UK Ltd ('Jacobs') has provided this Assurance Statement in relation to Innospec Inc. 2016 Responsible Business Report. The information and presentation of data within the Innospec 2016 Responsible Business Report is the responsibility of Innospec. This statement represents the independent opinion of Jacobs and is intended to be read in its entirety by the readers of the Innospec 2016 Responsible Business Report.

Scope and Methodology

The assurance process was conducted by Jacobs between June 2017 and August 2017 in accordance with AccountAbility's AA1000 Assurance Standard 2008. We were engaged to provide Type 2 assurance covering evaluation of Inclusivity, Materiality and Responsiveness ('the Principles') and adherence to AccountAbility's AA1000 Assurance Principles Standard 2008. To a moderate level of assurance, we also considered the reliability of sustainability performance data contained within the same report. A moderate level of assurance is the level generally adopted by companies using AA1000 to assure their sustainability report.

Assurance was conducted via meetings, telephone discussions and email correspondence with staff responsible for collating and reporting sustainability performance information at an Innospec group level and at four of Innospec's ten sites, specifically: Ellesmere Port, Leuna, Salisbury and High Point.

Our assurance team has the appropriate experience and competency to complete this assurance engagement and is not working for Innospec in any other capacity. Jacobs has a Quality Management System (QMS) which is certified to BS EN ISO 9001.

At the end of December 2016, Innospec acquired the European surfactants business of Huntsman, incorporating this into Innospec's Performance Chemicals business. This represents a major change to the Innospec business overall, bringing significant additional turnover, further manufacturing assets across Europe and 430 additional employees. As this acquisition was finalised on 30th December 2016 it has been agreed that the 2016 Responsible Business Report scope will not include data or details of the acquired business. It is however acknowledged that progress is already being made by Innospec to embed its sustainability objectives and approaches across the acquired business.

Adherence to AA1000 AccountAbility Principles

INCLUSIVITY – The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

Innospec's commitment to sustainability is demonstrated through its Sustainability Strategy, which is built around four aspects of sustainability, each containing identified focus areas. These areas build on Innospec's achievements to date and align with its strategic objectives. The focus areas were validated further in 2016 by a detailed materiality assessment, which included direct engagement with stakeholders.

The Innospec Stakeholder Engagement plan document identified stakeholder groups Innospec engages with and the methods to be employed to allow internal and external stakeholders to participate in the development of the organisation's response to sustainability during 2016. The 2016 materiality exercise reinforced engagement with all stakeholders above and beyond these typical methods.

Methods employed to engage with internal stakeholders include the intranet, email bulletins, team meetings and periodic CEO updates. Specific training on sustainability was also delivered with some key teams. Innospec plans to review the scope and need for a broader internal sustainability training program in 2017, which will support further engagement with all staff on sustainability as relevant to their role.

Innospec re-established its Sustainable Development Network (a representative group of senior business managers) in 2016 and this group has contributed to the materiality assessment undertaken and will be involved in addressing priority issues identified. This has helped to broaden the participation in determining the Sustainability Strategy; however it will be important that this group is engaged regularly during 2017 and beyond to support the further integration of sustainability practices across operations.

External stakeholders are able to respond to and influence Innospec's Sustainability Strategy through customer review meetings, industry collaboration and working group activities, investor briefings and community liaison meetings. In 2016 specific stakeholder engagement interviews were also undertaken as part of the updated materiality assessment. The local community are also actively engaged through education opportunities, fundraising and sponsorship activities. The launch of Innospec's new community program 'Innospec Cares' in 2016 has substantially added to the coordination of community support activities and their alignment to material issues. It also encourages employees to engage with communities and local initiatives.

In 2016, Innospec employed a new supplier performance assessment system: 'EcoVadis', and has begun to roll this out with 50 key suppliers. This has supported the active engagement of suppliers on sustainability issues. It is positive to see that this has helped to define priority issues and associated risks, and that it will continue to be rolled out in 2017. It is recommended that a structured approach is taken to following up on engagement with priority suppliers where risks are identified, or where there is significant alignment with material issues, in order to continue to strengthen the approach to managing supply chain risk.

It is our conclusion that Innospec is committed to being accountable to those whom the organisation has an impact on and who have an impact on it.

MATERIALITY – Determining the relevance and significance of issues that are material to sustainability performance.

Innospec has a process for identifying sustainability issues and assessing the indirect and direct value to the business. Innospec first completed a materiality determination process in 2014 and has committed to undertaking an annual review. In 2016 Innospec carried out a detailed and comprehensive assessment of materiality to validate their previous assessments and review the relevance and significance of key issues to sustainability performance. Building on the process undertaken to date, the 2016 materiality exercise included specific and tailored engagement with internal and external stakeholders. Presenting the materiality assessment in the context of what matters most to different stakeholders has helped to validate priorities in relation to different business units and stakeholders and how the Sustainability Strategy should be aligned.

On the whole the materiality assessment confirmed that the issues previously identified as important were considered relevant and significant by stakeholders, although as the review was completed in late 2016 (and reported in January 2017), the detailed findings were not able to influence substantial action in 2016. It will have considerable value in prioritising action going forwards however.

It is positive to see that Innospec is committed to an annual review of customer and competitor sustainability priorities and programs, and to linking ongoing stakeholder engagement to the annual review of materiality. It is recommended that the approach to considering outcomes from stakeholder queries and engagement activities is formalised within the Innospec Stakeholder Engagement Plan document to ensure the links and responses can be clearly demonstrated.

It is our conclusion that Innospec has a comprehensive materiality assessment process in place; however it will be important to ensure the outcomes and understanding are communicated and integrated throughout the organisation, including at a local level, on an ongoing basis.

RESPONSIVENESS – An organisation's response to stakeholder issues that affect its sustainability performance.

Innospec responds formally to external stakeholders through the Corporate Social Responsibility pages of its website, its annual sustainability reporting and directly on specific issues, as appropriate. Following positive feedback, Innospec is continuing to consider how information is presented within its Responsible Business Report so it is visually appealing and targeted to stakeholder interests. This includes plans to produce a summary document for internal stakeholders and briefing staff in customer-facing roles to enable them to communicate more effectively about Innospec's approach and priorities. This is likely to contribute to positive engagement with both internal and external stakeholders.

In 2016 a stakeholder query log was established to more formally document stakeholder communications and responses, which helps to ensure a timely response is provided. This log is also used to map the themes of issues raised, cross check this with the materiality assessment and feed into prioritisation of issues.

There is a good level of engagement and reporting against Innospec's sustainability areas through the cascade of Sustainability Objectives. This is achieved through site level reporting on a monthly basis and review of progress at quarterly meetings. Whilst it is positive that sustainability performance is reported at a group level, communication and approach at site level continues to be inconsistent. It is likely that the recent acquisition will further add to the need to address consistency in approach going forwards. It is recommended that in the coming year Innospec focuses on improving awareness of its Sustainability Strategy and objectives, including how these can be influenced, at a local level and through different business streams to extend good practice.

Innospec has continued to be responsive to changes in legislation and feedback from the business. Business representatives participate in sector collaboration activities and industry committees which help to ensure emerging issues and changes can be communicated to the relevant business and effectively planned for. This could be improved further through the introduction of a structured approach to documenting and tracking product and product safety regulatory issues and risks along with Innospec's action and responses. A new due diligence platform was introduced in 2016 which has provided considerable efficiency in the process of tracking compliance and providing a centralised evidence base for the business regarding its supply chain partners.

The reporting approach in 2016 has been similar to that in previous years, drawing on data from across the business and coordinated centrally by the Group Sustainability Manager. The acquired business will bring additional resource to support sustainability activities in 2017. It is recommended that Innospec considers how best to utilise this resource, providing clarity in roles, and also takes the opportunity to broaden involvement in the preparation of future sustainability reports. Placing greater emphasis on key issue owners preparing content for the report will also support integration of sustainability and responsiveness at all levels of the business.

It is our conclusion that Innospec has demonstrated it responds and is accountable to stakeholders; however, there are areas for further improvement to ensure a more structured response is achieved, and to enable the business to benefit from a broader ownership and involvement in sustainability review and response.

Reliability of Performance Information

The systems and processes used to support the sustainability performance data in the 2016 Responsible Business Report have been evaluated and it has been possible to obtain a moderate level of assurance.

Innospec has put in place sustainability objectives which are cascaded via the business streams and operational sites. Each site must incorporate the objectives into their own operations in a way which is relevant and enables them to contribute to the group objectives and targets. In 2017 this practice is being rolled out to the acquired business and supported through communications at an operational level.

Innospec has well established data collection systems in place for health and safety performance data. For environmental data, there remains some inconsistency in the approaches to data collation mechanisms, how targets are set, the extent of reporting and the documented procedures in place, although it is important to note that the sample sites have put in place sufficient systems to achieve external certification. The acquisition will further add to the need to review consistency and standards across the business for monitoring and reporting.

In our review of sample sites, a number of errors were identified in data initially reported. In most cases errors were not considered to be material; however, some material errors were identified for water and waste data at the Ellesmere Port site due to incorrect data entry. All errors identified have been corrected. It is understood that Innospec has developed a new reporting system and updated procedures which will help to address these issues and support consistency. We would support Innospec's plan to implement these in practice. It is also recommended that the monitoring and targeting approach, particularly for energy use, is reviewed to ensure an appropriate level of granularity and robustness is applied to support ongoing improvement.

Jacobs, London, August 2017

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