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## 2019 SUSTAINABILITY PROGRESS REPORT



At INOLEX, we believe in caring for the people and places that connect us. We strive to enhance every personal care product we touch by producing the safest, most effective, and most sustainable ingredients possible. We are committed to creating a positive impact by leading with innovation and upholding each pillar of our sustainability platform.

**LIFE INGREDIENTS. RESPONSIBLE MANUFACTURING. PEOPLE-TO-PEOPLE.**



INOLEX exceeds industry standards by manufacturing its palm-derived products exclusively as Roundtable on Sustainable Palm Oil (RSPO) Mass Balance certified material (as of January 1, 2020).

### 3 Better Ingredients. Better Life.

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**Letter from our CEO**

### 5 Sustainability Targets Progress

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### 6 Spotlight on Naturality

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**Life Ingredients**

- RSPO Mass Balance
- USDA BioPreferred®
- Genus *Brassica*
- Product Innovation: AminoSensyl™ HC and ProCondition™ 22
- Innovation Macro-Shifts

### 13 Responsible Manufacturing

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**Flagship Operations**

- Certifications
- Safety
- Water Initiative

# Contents 2019

# Better Ingredients. Better Life.

**2019 was a year of transition *and* firmly defined continuity at INOLEX.**

We continue to focus our business on innovative, safe, and natural ingredients for health, beauty, and wellness. Specifically, providing ingredients that are natural and certified biobased while maintaining high performance.



We take pride in our sustainability commitment, evidenced by offering the largest portfolio of personal care ingredients that are USDA BioPreferred® Certified Products—a voluntary initiative to assure consumers the verifiable naturality of our technologies.

Seeking to orient our business to bring the greatest efficiencies to the global market, in 2019 we set in motion the successful transition of our US production platform to a new flagship manufacturing site in Charlotte, North Carolina. In our commitment to sustainability, we chose to reinvigorate an existing structure to our specifications rather than to construct on a greenfield location.

Philadelphia remains our Corporate Headquarters, the heartbeat of our global organization, while our new manufacturing capability entrusts us to consider sustainability opportunities that were previously beyond reach, particularly around our Responsible Manufacturing Pillar. With this generational investment, we will continue to deploy our deep technical expertise as both an innovator and a manufacturer of ingredients.

In many ways, the reinvestment in our infrastructure equips our organization with an expanse to create even better ingredients for the brands and lives that we touch. Our practice of





Green Chemistry Principles and our desire to add value throughout the product life-cycle have each been a foundational part of our business for decades. Continuity has allowed us to bring to market sustainable products that have helped advance the wellness and green beauty shifts that are now widely adopted among consumers.

And still, to glimpse the beauty care space of the future, we must make strides that will serve the next generation. Incremental change begets transformation.

In this **Sustainability Progress Report for 2019**, we look back and speak to the progress that we have made for established 2019 targets, referencing the Global Reporting Initiative (GRI) Standards, and spotlight programs that have come to fruition over the past year. In the meantime, we are putting in place the measurements and tracking of processes for environmental, health, and safety baselines at our new Charlotte site, and globally, to be communicated in early 2021.

Sustainability is a timeless pursuit. We are pleased to share our journey with you.

**David Plimpton**  
CEO and President

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# Sustainability Targets Progress

A Look at our Commitments and Momentum

TOPIC	2018 CSR TARGET	2019 PROGRESS	2020 TARGET DETAIL
<b>Raw Material Sourcing</b> (GRI 308: Supplier Environmental Assessment)	Offer RSPO Mass Balance for 100% of our palm-derived products by year end 2018.	INOLEX completed its goal by offering RSPO Mass Balance for 100% of our palm-derived products in 2019.	INOLEX exceeds its goal. Effective January 1, 2020, INOLEX will only manufacture palm-derived products as RSPO Mass Balance certified material. See INOLEX Balance & Act on page 6 for details.
<b>Sourcing</b> (GRI 308: Supplier Environmental Assessment & GRI 414: Supplier Social Assessment)	Commitment to Zero Deforestation by 2020 by certifying that all of our palm-derived products will be sourced from 100% deforestation-free and sustainably sourced palm to achieve positive socio-economic impacts, zero deforestation, and zero peat clearance.	Progress has been made through adoption of RSPO Mass Balance exclusively in our palm-derived products, thereby adhering to the RSPO Supply Chain certification systems. We continue to align with industry partners in advancing the palm industry to a more sustainable socio-economic model.	INOLEX will continue to work toward this goal with industry partners to achieve positive socio-economic impacts, zero deforestation, and zero peat clearance in the production of sustainable palm.
<b>Quality Assurance &amp; Safety</b> (GRI 416: Customer Health and Safety)	Maintain a Cumulative First Pass Success quality assurance standard of 95% for 2018 to mitigate additional manufacturing use of energy, resources, and waste production.	Captured both simultaneously in PHL and CLT: Fiscal Year 2019 showed a Cumulative First Pass Success rate of 98%. This was a significant achievement given the ongoing transition to the New Flagship US Production Facility in Charlotte, NC.	Going forward, INOLEX is committed to maintaining the same high level of production quality and Cumulative First Pass Success standard.
<b>Transparency and Product Life Cycle</b> (GRI 203: Indirect Economic Impacts & GRI 404: Training and Education)	Implement a new Enterprise Resource Planning system (ERP) in 2018 to enhance transparency and exchange of data across the full life-cycle value chain of our products for both internal and external stakeholders.	In 2019, INOLEX transitioned to the new ERP system, Microsoft AX 365 and Power Business Information (Power BI), as the Operating System of the global business.	Ongoing software integration and organizational training to improve automation of our systems for internal and external stakeholders. Our goal is to improve data input and output to enhance operations around supply chain; manufacturing; inventory management; costing; and accounting for more sustainable operations.

# Balance & Act

## INOLEX Palm-Derived Portfolio and RSPO Mass Balance

### Industry Leadership

INOLEX is committed to doing our part to transform the palm oil industry, and is committed to sustainable palm production and trade.

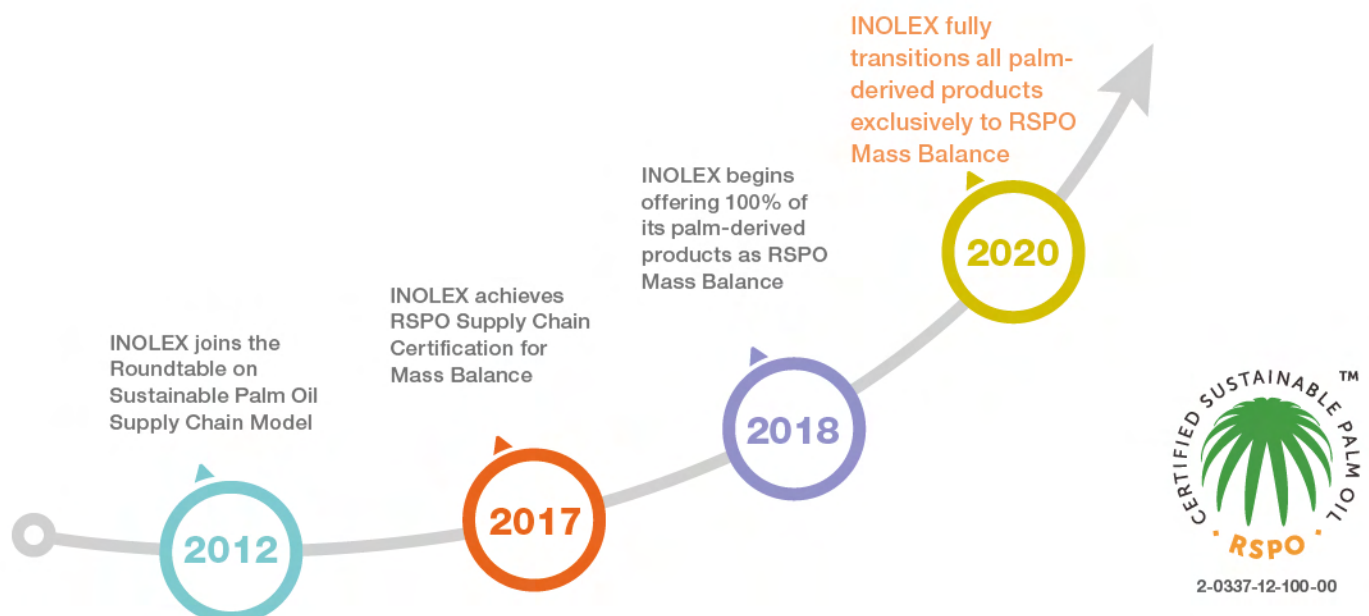
**In January 2018, we exceeded industry expectations by offering our entire palm-derived ingredient portfolio as Roundtable on Sustainable Palm Oil (RSPO) Mass Balance certified material.** The next phase of our leadership in Sustainability is manufacturing only RSPO Mass Balance certified material for all of our palm-derived ingredients.

### 2020 Impact

**Effective January 1, 2020, INOLEX announced that it will manufacture palm-derived products exclusively as RSPO Mass Balance certified material.** All palm-derived INOLEX products that are manufactured after January 1, 2020 will contain the Mass Balance acronym "MB" at the end of the product name.

INOLEX recognizes that this is above and beyond the industry standard. We are proud to lead the chemical industry in this important step towards more sustainable palm sourcing.

**Check our progress at [www.rspo.org](http://www.rspo.org).**



# Certified BioBased

## USDA BioPreferred® Certified Products

INOLEX demonstrates the naturality and sustainability of our plant-derived technologies through measurable and certifiable criteria. In 2019, INOLEX established the largest USDA BioPreferred® Certified ingredients portfolio for the category Intermediates - Personal Care Product Components, with 83 products as of December 31, 2019.

### USDA BioPreferred® Program:

The USDA BioPreferred® Program manages the USDA Certified Biobased Product label. The USDA BioPreferred® program was introduced in 2002 by the 2002 Farm Bill and was expanded under the Agricultural Act of 2014. It now includes categories such as household and office supplies, coatings, packaging, personal care, and much more.

- USDA BioPreferred® is a program that certifies materials according to their biobased content.
- INOLEX products are processed through the Safety Equipment Institute (SEI) Biobased Certification Program which includes testing for biobased content in accordance with an approved ASTM test method (D6866) at a certified third party laboratory.
- USDA Certified Biobased Product is a product that has achieved third party verification of biobased content and has earned USDA certification to display the label.

We choose to communicate and certify our products through the USDA BioPreferred® Program as it provides the measured percentage of biobased content in the product. The result is a specific, measurable, and validated claim about the naturality of our technologies.

INOLEX's participation in the program supports the USDA BioPreferred® Program mission to further reduce the Personal Care industry's reliance on petroleum-based products. By adhering to these standards, INOLEX can help customers identify which ingredients best fit their formulation needs and facilitate the process of obtaining USDA Biobased certification for their end consumer products.

INOLEX is proud to support the USDA BioPreferred® Program to ensure objective, measurable standards for product naturality.





# Genus *Brassica*

Natural Feedstock



Rising concern about the use of petroleum-derived ingredients in Beauty Care has encouraged brands to look toward natural alternatives for raw material sourcing. Diversification of our bio-feedstocks provides an opportunity for INOLEX innovators to develop novel ingredients with consumer perceivable benefits that appeal to the growing industry-wide interest in safe, natural, and sustainable formulas.

*Brassica napus* (rapeseed) is a yellow flowering member of the genus *Brassica*, which includes multiple species and nutrient rich plants such as broccoli, cabbage, kale, and cauliflower. This feedstock, which is a 100% renewable and sustainable raw material, is a key building block in several of INOLEX's sensory enhancing and hair care technologies. As a crop, *Brassica napus* has numerous environmental advantages:

## Five Environmental Advantages of *Brassica Napus*

- 01** *Brassica napus* can be grown globally and using no GMOs.
- 02** It can enhance crop rotation when used as a winter cover crop.
- 03** Cultivation of *Brassica napus* does not require the use of herbicides.
- 04** *Brassica napus* (rapeseed) oil is extracted from harvested seeds without the use of solvents.
- 05** *Brassica napus* oil's inherent triglyceride composition allows for perceivable benefits in sustainable hair care.

# Biobased Hair Care

Natural Feedstock - Conscious Design - Responsible Manufacturing

Just as consumer brands must decide on their own definition of natural, INOLEX maintains firm principles that drive R&D and sustainable ingredient development. We believe in plant-based feedstocks modified using Green Chemistry Principles to yield functional products that are safe for humans and for the environment.

Two spotlight hair care technologies that demonstrate our commitment to ingredient transparency and sustainable product development are **AminoSensyl™ HC** and **ProCondition™ 22**

## PRODUCT SPOTLIGHT

### AminoSensyl™ HC

INCI: *Brassica Alcohol (and) Brassicyl Valinate Esylate*

In 2013, INOLEX became the first beauty care ingredient manufacturer to introduce 100% natural and cationic (quat-free) conditioning agents in the market. The proprietary technology platform allows for the development of tailored and high-performance amino lipids with superior safety and environmental profiles. The systems are amino-acid based, derived from 100% renewable and sustainable raw material feedstocks, and are designed and manufactured according to the Principles of Green Chemistry.

In 2019, the second generation technology was launched: the **AminoSensyl™** platform.

**AminoSensyl™ HC** is a pre-neutralized, 100% natural hair care active system derived from *Brassica napus* seed oil. The innovative technology design contains Brassicyl Valinate Esylate, an amino lipid derived from valine amino acid, which has a non-quat cationic charge for hair substantivity and a better aquatic toxicity profile than traditional conditioning or strengthening cationic ingredients. This optimized system also contains Brassica Alcohol, derived from the *Brassica napus* seed oil which contains an optimized mixture of C<sub>18</sub> – C<sub>22</sub> carbon chains for conditioning and strengthening performance.

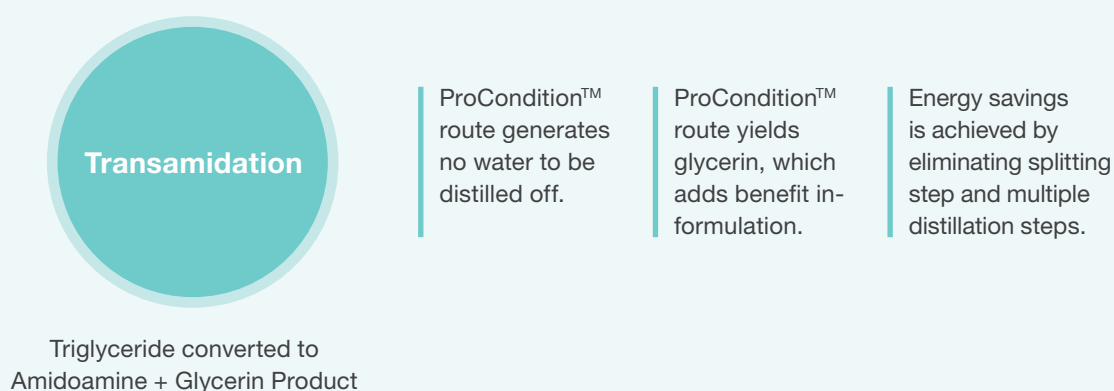
## The sustainable benefits include:

- Quat-Free / Non-Quat
- Silicone-Free
- Contains 100% USDA Certified Biobased Content
- Brassica-Derived
- Non-GMO / Vegan
- Non-palm source
- Solvent-free process
- No chemical waste
- Solid format – no water shipment
- Readily biodegradable

### Traditional Amidoamine Multi-Step Process



### ProCondition™ 22 One Step Process



#### PRODUCT SPOTLIGHT

#### ProCondition™ 22

INCI: *Brassicamidopropyl Dimethylamine*

Developed in 2013, **ProCondition™ 22** is a novel amidoamine that uses the entirety of *Brassica napus* (rapeseed) oil's inherent triglyceride composition resulting in consumer-perceivable performance benefits for hair conditioning. *Brassica napus* seed oil is derived from a sustainable crop.

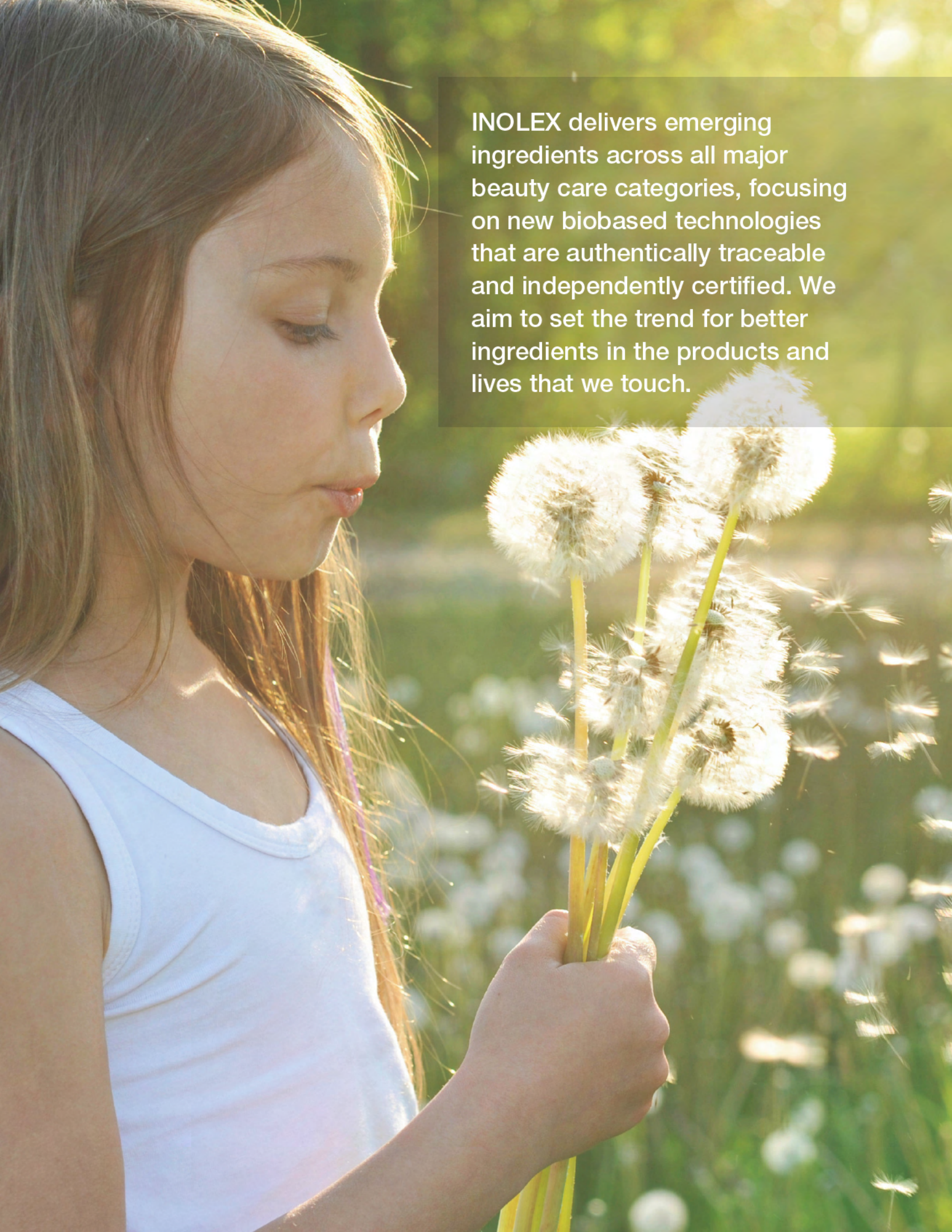
In addition to using natural feedstock, **ProCondition™ 22** is manufactured by a novel, energy saving, one-step synthetic process. Using the patented ProCondition™ route, amidoamine is formed by direct one-step transamidation of the hydrogenated *Brassica* oil.

Compared to the traditional two-step process for amidoamines, this route provides energy efficiency by eliminating the splitting and distillation steps and the energy spent to separate fatty acids and glycerin.

The process yields additional environmental benefits by significantly reducing greenhouse gas output.

The final ingredient is readily biodegradable under aerobic and anaerobic conditions, with the biodegradation products being environmentally benign.



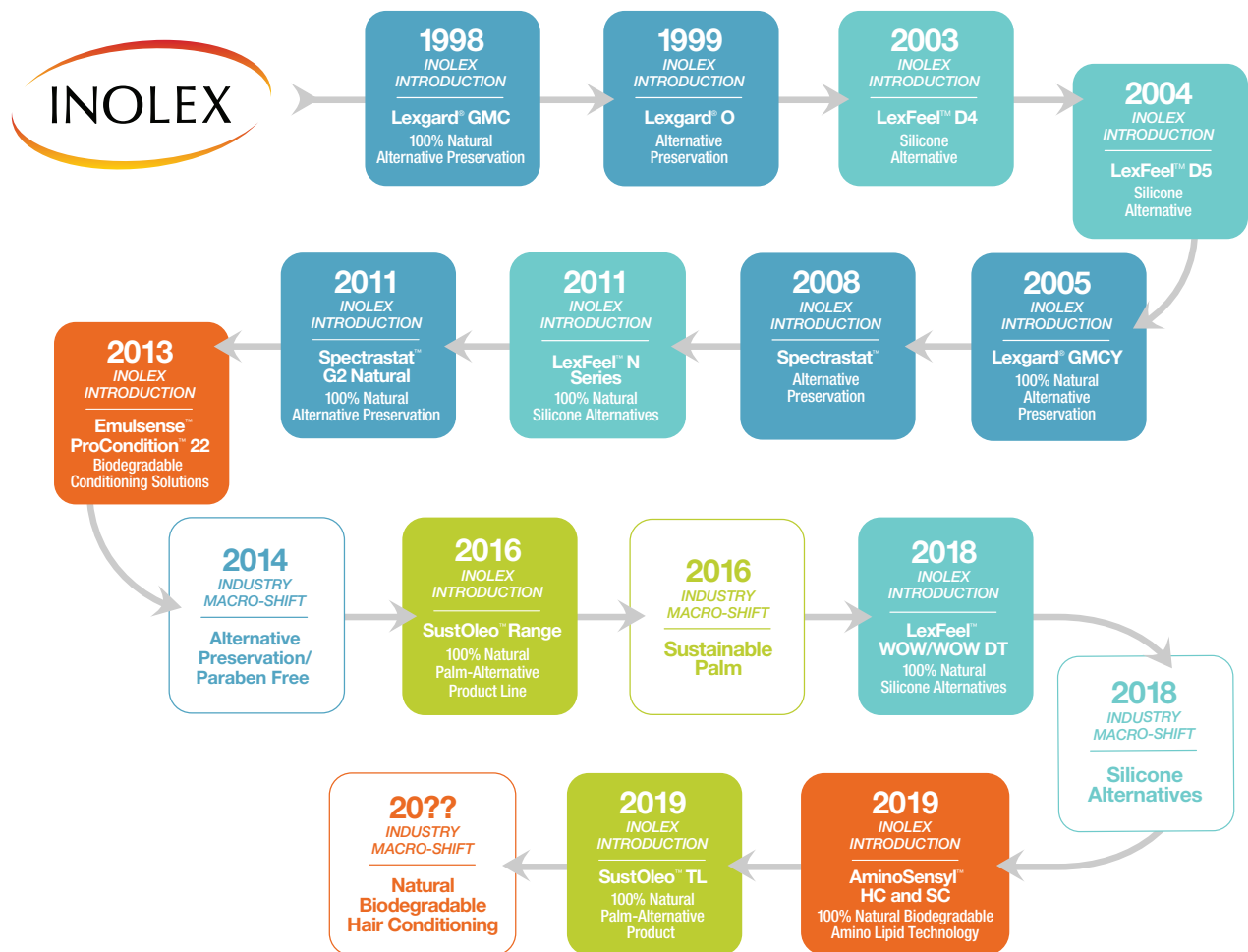


INOLEX delivers emerging ingredients across all major beauty care categories, focusing on new biobased technologies that are authentically traceable and independently certified. We aim to set the trend for better ingredients in the products and lives that we touch.



# Sustainable Innovation

Ahead of Global Macro-Shifts



## Industry & Government

**2014** EU bans 5 parabens in cosmetic products Isopropylparaben, Isobutylparaben, Phenylparaben, Benzylparaben, and Pentyparaben.

**2016** Norway signs the Amsterdam Declaration, joining a number of other European countries in the pledge to promote the use of 100% sustainable palm oil by 2020.

**2018** EU Commission amended Annex XVII to Regulation (EC) No 1907/2006 of REACH. After January 31, 2020, Cyclomethicone (D4/D5) content may not exceed 0.1% in wash-off products.

# Spotlight on Operations

Responsible Manufacturing



## QMS Registrations

During the course of 2019, INOLEX completed the successful upgrade of 3 Quality Management Systems (QMS) registrations from single site to multi-site registrations that reflect the new INOLEX organization: Headquarters in Philadelphia, PA with flagship US manufacturing in Charlotte, NC. INOLEX also became compliant to the AuditOne Initiative.

The AuditOne Initiative aims to create a set of quality standards and audit processes for the consumer goods industry, reducing the supply chain audit burden. The program relies on existing standards such as ISO9001 and EFfCI. Participating brand owners include Estée Lauder and Johnson & Johnson, among other industry stakeholders.



## QMS Registrations (continued)

- Upgrade of RSPO certificate to a multi-site registration (March 2019, SCS Registrar)
- Upgrade of ISO9001:2015 to a multi-site registration (October 2019, DQS Registrar)
- Upgrade of EFfCI as a multi-site registration (January 2020, DQS Registrar)
- Selection and contracting of a new QMS registrar recognized by AuditOne, DQS (April 2019)
- The QMS registrations at INOLEX are based on the core ISO9001:2015 quality management principles:
  1. Customer focus
  2. Leadership
  3. Engagement of people
  4. Process approach
  5. Improvement
  6. Evidence-based decision making
  7. Relationship management

## Safety First 2020

Safety continues to be the number one priority for our INOLEX employees,

contractors, and customers. INOLEX strives for zero unplanned safety and process safety events.

In 2019, INOLEX introduced a Near Miss Reporting Program to its Responsible Manufacturing Safety Platform. This new initiative intends to further develop a culture of safety within our company to proactively resolve hazards before tragic or costly incidents occur. Further, the structure is designed to continuously engage the workforce (all workers at all levels) to communicate and solve problems. The Near Miss Reporting Program increases safety ownership by exposing valuable information that otherwise may have gone undisclosed. The new process will contribute to the further development of a positive and necessary attitude surrounding safety, helping to ensure that safety incidents are addressed in a proactive manner. With a robust Near Miss Reporting culture established, we are better equipped to prevent recurrence.

## Linked into Community Safety

INOLEX is dedicated to building strong partnerships in the communities where our manufacturing operations are present. In 2019, INOLEX hosted members of the Charlotte Mecklenburg

Police, Fire & Rescue (CMPD) for a site tour and meet and greet at our US flagship facility in Charlotte, North Carolina. INOLEX will continue to develop relationships with members of the CMPD to familiarize municipal authorities with our manufacturing concepts and our site. This partnership is part of our overall strategy to build a culture of safety within our plant for our employees who work and live in the Charlotte metropolitan area. We believe that making our focus on safety known to the surrounding community is an integral part of instilling transparency in our operations.

## Water Conservation Initiative

In 2019, INOLEX was invited to sit on the Charlotte Mecklenburg County Water Reduction Team as a new business representative for 2020. This partnership will help us to establish our water consumption and output targets and contribute to the county's goals of 15% reduction of water intake and improvement in water discharge to minimize impact for Charlotte Water utilities.



## DISCLOSURES

**An INOLEX core value is “We are true to our word”.** To the best of our ability, we have disclosed in this report the material topics identified by our stakeholders as being most significant within the operations and activities of the INOLEX business. This report strives for an accurate and balanced portrayal of the sustainability measures around each material topic. Further, any quantitative data presented has been measured and calculated via a replicable process.

**Stakeholders:** We hold ourselves accountable to all of our stakeholders, INOLEX board, employees, customers, suppliers, distributors, consumers, the scientific community, and regulating bodies. Our internal Sustainability Task Force is responsible for the annual review and update of sustainability goals as part of our ongoing sustainability mission. This Task Force provides a platform for continuous dialogue, to submit ideas, raise questions, and explore areas of improvement.

**Context:** As an independent, global ingredients provider, with locations in the United States, Mexico, Brazil, Germany, France, Belgium, United Kingdom, India, Korea, and China, we are mindful of the impacts our sustainability initiatives make with the individuals we serve, at a local level in the communities in which we do business, and more broadly across the personal care industry as a whole. We develop and measure our sustainability initiatives within the context of the micro and macro social and geographic environments where each is most relevant.