

Governance

As a UK listed company we are required, at the very least, to meet the standards of the Combined Code on Corporate Governance (the Code). We have applied all of the principles set out in section 1 of the Code and where appropriate have explained any exceptions. Further details on this and the board's statement on corporate governance matters are presented in the [Annual Report](#).

We also have detailed policies and procedures to ensure good practice in all social, ethical and environmental areas.

[Read more about environment health and safety \(EHS\) policies and management](#)

[Read more about human resources policies and management](#)

[Read more about business integrity and ethical policies and management](#)



Risk Management

Sound risk management is the very essence of a successful business and our procedures are clearly defined and enforced.

Measures to ensure responsible business conduct and the identification and assessment of risks associated with social, ethical and environmental matters are managed in conjunction with all other business risks and reviewed at regular meetings of the board and the Chief Executive's Committee (CEC).

The board is ultimately responsible for social, environmental and ethical matters. It meets seven times during the year and delegates specific responsibilities to board committees. The minutes of sub-committee meetings are presented at each board meeting.

The CEC meets monthly and is the sub-committee of the board responsible for the day-to-day management of the company. It is chaired by the Chief Executive and comprises the executive directors and five senior managers of the company. The CEC has approved policies on Environment, Health and Safety (EHS), Business Integrity and Ethics and Employment, which set out key objectives for assessment and control of risks, and these have been distributed to site management.

These policies form the cornerstone of our commitment to continuous improvement in all aspects of social, ethical and environmental matters at all our operations around the world. They reflect our values and enable us to integrate our principles into practice in our business processes.

The CEC receives reports and minutes of the meetings of its sub-committees, which address specific risk and control areas and reviews the effectiveness of risk management processes. Members of the CEC are free to raise points on the minutes presented. Risk and control issues are also addressed during the discussions on business performance, which are a feature of each CEC meeting.

The CSR Compliance Committee, a sub committee of the CEC, is responsible for setting and overseeing compliance with the standards for group CSR performance through the development, dissemination, adoption and implementation of group policies and other operational measures. It is also responsible for the identification, assessment and management of EHS and other CSR risks. The committee meets four times per year and comprises division directors, the Director of Environment, Health and Safety, Group Systems and Human Resources, the Company Secretary and senior representatives of Group Legal, Internal Audit and Group EHS.

Key issues are also reviewed by the CEC on a monthly basis with the Audit Committee reviewing the business risks associated with CSR at least once a year. A summary of the CSR Compliance Committee's activities is presented to the board once a year by the Chairman of the Committee.

A separate committee in the US manages compliance issues within North America. It comprises senior management from the US businesses and meets quarterly. The role of the US committee is to ensure that legal and regulatory compliance is fully achieved. It is responsible for reviewing Johnson Matthey's policies in these areas and for ensuring all relevant employees are aware of these policies and their roles and responsibilities.

A series of one-day seminars entitled 'Johnson Matthey Policy Awareness – Putting Compliance into Practice' continued to run monthly throughout 2007/08. Over 200 senior and middle managers have attended the seminars since their introduction. The seminars summarise the key issues and policies for which managers are responsible to ensure management awareness and accountability and to defend Johnson Matthey's reputation against unnecessary risk. The principal policy and compliance areas covered in the seminars are the management of employees, commercial contracts and company assets.

The seminars were extended to include a US version in 2007 and an online version will be available shortly via the company intranet.



Performance Management

We drive continuous improvement in all aspects of sustainability through corporate policies, a comprehensive management system and the commitment of our employees. Johnson Matthey has key policies in the areas of environment health and safety (EHS), human resources and business integrity and ethics which provide the framework for managing performance.

Our policies and management systems apply to all operations worldwide. Legal requirements are a minimum standard and in many cases our policies and systems are in advance of these.

We have systems in place to measure our social, environmental, health and safety and financial performance. We participate in a number of external surveys including the FTSE4Good, the Carbon Disclosure Project and the Dow Jones Sustainability Index. As well as providing further channels of communication with our stakeholders, these surveys help us to benchmark our performance and give us guidance on areas where we can improve.

As we embed the principles of sustainability, we will need a broader framework for managing sustainability performance across the group and more widely through the supply chain. We are developing a group sustainability policy and management systems to outline group requirements and the responsibility of facilities and individuals in meeting the requirements. We will continue to communicate on our progress in next year's Sustainability Report.

We are also working hard to develop sustainability tools which we will use to benchmark and measure performance in new areas. We have been researching and trialling a number of different options – in particular those relating to complete lifecycle analysis of our products – to make sure we select tools that will ensure consistent and comparable metrics across the group.



CASE STUDY

Cutting Carbon Emissions at Royston

[How we are working to find out more about our carbon footprint](#)

[Read more about environment health and safety \(EHS\) policies and management](#)

[Read more about human resources policies and management](#)

[Read more about business integrity and ethical policies and management](#)

Policies and Management Systems – Environment, Health and Safety

The board is responsible to shareholders for the group's corporate governance, strategic objectives and stewardship of the company's resources, with board responsibility for environment, health and safety (EHS) resting with the Chief Executive. The Group Director of Environment, Health and Safety reports to the Chief Executive.

The board reviews EHS performance annually, but it is the Chief Executive's Committee (CEC) and the CSR Compliance Committee (a sub-committee of the CEC) which identify and manage EHS risks. Through these reviews and committee meetings, EHS priorities and strategies are generated. Performance is monitored using monthly information on significant events, health and safety statistics and detailed site audit reports.

The Chief Executive's Committee formulates and agrees a written policy statement which forms the basis of the group EHS management system. The board approves this policy statement which is signed by the Chief Executive and is available at each site throughout the Johnson Matthey group, as well as being published externally.

The CSR Compliance Committee considers all risks associated with EHS. The committee is responsible for:

- EHS compliance and strategy.
- Application of risk control measures and review of accidents and other incidents.
- Ensuring EHS issues are resolved efficiently and corrective actions are completed.

Performance is also monitored through the group control self-assessment process administered by Group Internal Audit which reviews controls at each site.

EHS performance is dependent on leadership from the top, accountability at divisional level and the commitment of strong local line management. Individuals also have to take a responsible attitude to their own health and safety performance at work.

Assessing and controlling the risks through professional management minimise the financial implications for the company, helping to protect shareholder interests. Certain risks are insured, but this is no substitute for sound management of the function.

[Read our Environment, Health and Safety Policy](#)

Environmental, Health and Safety Management

Our EHS policies provide the guiding principles that ensure high standards are achieved at all sites around the world and afford a means of promoting continuous improvement based on careful risk assessment and a comprehensive EHS management system.

Group EHS Management System

The group EHS management system is reviewed regularly to ensure that it reflects international best practice and our growing understanding of the practical application of sustainable development.

The corporate objectives, policies and group EHS management system define accountability and set the standards against which conformance audits are assessed. This system is available to all employees via the company intranet. All facilities have developed local policies to meet the requirements of these corporate policies.

EHS Compliance Audits

EHS compliance audits are an integral part of the corporate EHS management system and are vital for the achievement of continuous improvement in all aspects of EHS. All Johnson Matthey operated manufacturing and research and development facilities are included in the audit programme. The audit frequency for each facility is determined by the scale, inherent risk and past performance of the operation. Audits review conformance with the group EHS management system and compliance with national legislation, and also provide opportunity to share best environmental, health and safety practices.

Audit reports are rated as excellent, satisfactory, important or very important. The CSR Compliance Committee reviews all audit reports, including health management reviews, and appropriate follow up is taken on any outstanding issues. A total of 42 detailed compliance audits were completed during 2007/08.

Health Management

The Group Occupational Physician undertakes business health management reviews to provide consulting advice to guide the prioritisation and planning of programmes to optimise workplace health protection and promote workforce sustainability. The final year of the three-year programme to implement a revised corporate health management strategy throughout the business was completed successfully. All business units now undertake annual health management continuous improvement planning as a formal exercise to structure programmes and services that meet changing business needs.

ISO 14001 Environmental Management System

Over the past year continued progress has been made to implement ISO 14001, in line with our target of achieving registration at all major manufacturing sites by 2010. Three manufacturing sites, two in India and one in South Korea, achieved ISO 14001 registration during the last year and 68% of employees now work at ISO 14001 sites.

Driving Continuous EHS Improvement

Training is vital to ensure continuous improvement in environmental, health and safety performance. A number of seminars on high priority health and safety topics were completed during the year across the group. A series of project management training courses have been completed in the US and Europe, in which facility managers and engineers were able to gain greater understanding and share best practice on how to improve the EHS aspects and impacts of significant development projects. This training will be extended to Asia during 2008/09.



Accidents and incidents are investigated to gain shared learning and drive continuous improvement. We also monitor relevant events in our industry sectors to derive additional learning and assurance that we are working to the highest standards and best practices. Following the publication of the investigation reports on the incidents at BP's Texas City refinery and at the Buncefield oil storage facility, Hertfordshire, UK, we reviewed these reports with a view to integrating any relevant learning into our existing EHS management systems. The review generated a number of actions that will be completed during the next financial year.

[Read more about Johnson Matthey's environmental activities and performance](#)

[Read more about Johnson Matthey's health and safety activities and performance](#)



Johnson Matthey

Environment, Health and Safety Policy

Johnson Matthey is firmly committed to managing its activities throughout the group so as to provide the highest level of protection to the environment and to safeguard the health and safety of its employees, customers and the community.

The company's EHS policies have been widely disseminated and provide the guiding principles necessary to ensure that high standards are achieved at all sites around the world. They also afford a means of promoting continuous improvement based on careful risk assessment and comprehensive EHS management systems, against which all sites are audited.

This policy and its associated procedures are designed to achieve the following corporate objectives:

- That all locations meet legal and group environment, health and safety requirements.
- That the design, manufacture and supply of products is undertaken so as to satisfy world class standards of health, safety, environmental management and resource efficiency.
- That management systems are effective in maintaining standards and fulfilling the challenge of securing continuous improvement in environmental, health and safety performance.

In order to achieve these objectives we will:

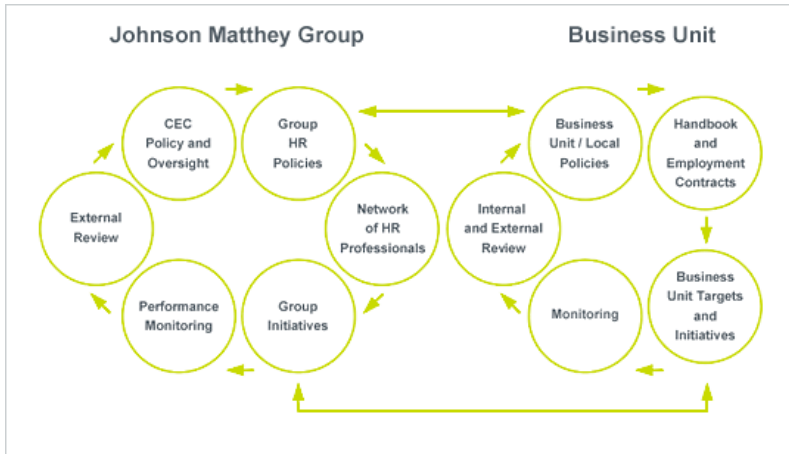
- Provide leadership and commitment as an expression of the importance that the board and the senior management team places on EHS issues.
- Ensure accountability by holding corporate management and senior executives within each operating division and business unit responsible for EHS performance.
- Provide the financial and human resources to allow EHS issues to be given an appropriate level of priority.
- Provide good communication internally and externally and encourage employee involvement and cooperation at all levels in the organisation in meeting EHS objectives.
- Ensure competence on EHS matters through education, training and awareness at all levels in the organisation, including creating an understanding of individual responsibilities for health, safety and the environment.
- Undertake assessments to identify the risks to health, safety and the environment from company operations and ensure that appropriate control measures are implemented.

- Ensure that new investments incorporate best practice and promote innovation through their design and operation to eliminate or minimise risks to health, safety and the environment.
- Investigate incidents to identify the root cause and take action to prevent recurrence.
- Promote programmes to achieve energy and resource efficiency.
- Set key corporate objectives and performance targets that can be measured and assessed, reporting results in a meaningful and transparent way both internally and externally.
- Undertake regular EHS inspections and audits of operations, and review performance, to ensure continuous improvement in EHS management.

Policies and Management Systems – Human Resources

Johnson Matthey's human resources policies are implemented through the corporate human resources standards which set requirements for operations throughout the group to follow.

These standards are generally in advance of legal requirements and provide internal consistency. They are supported by detailed regional procedures or business unit procedures. All of these policies and procedures are subject to regular review to ensure that they continue to reflect both regional best practice and local legislation. Site specific human resources policies and procedures are communicated to staff at inductions and through staff handbooks. Human resources policies and risks are examined by the Chief Executive's Committee and the CSR Compliance Committee.



Johnson Matthey has employment policies on equal opportunities and on training and development.

[Read our Equal Opportunities and Training and Development of People Policies](#)

[Read more about Johnson Matthey's activities and performance in this area](#)





Johnson Matthey

Equal Opportunities Policy

It is the policy of the group to recruit, train and develop employees who meet the requirements of the job, regardless of gender, ethnic origin, age, religion, sexual orientation or disability. The policy recognises that people with disabilities are often denied a fair chance at work because of misconceptions about their capabilities and seeks to enhance the opportunities available by attempting wherever possible to overcome obstacles such as the need to modify equipment, to re-structure jobs, or to improve access to premises, provided such action does not compromise health and safety standards. Equally, employees who become disabled are offered employment consistent with their capabilities. The business values the diversity of its people and employment applications are welcomed and encouraged from all sections of the community including minority groups.

Training and Development of People

Policy Objectives:

- Ensure highest standards in the recruitment of employees.
- Assess training needs in the light of job requirements.
- Ensure relevance of training and link with business goals.
- Employ and evaluate effective and efficient training methods.
- Promote from within, from high potential pools of talent.
- Understand employees' aspirations.
- Provide development opportunities to meet employees' potential and aspirations.

The Management Development and Remuneration Committee of the board takes a special interest in ensuring compliance with the Training and Development of People Policy.

Policies and Management Systems – Business Integrity and Ethics

A reputation for integrity has been a cornerstone of Johnson Matthey's business since Percival Norton Johnson founded it in 1817. The company strives to maintain the highest standards of ethical conduct and corporate responsibility worldwide through the application of the principles within its Business Integrity and Ethics Policy.

[Read our Business Integrity and Ethics Policy](#)

International Business and Human Rights

Most Johnson Matthey operations are conducted in developed nations, but a small number of 'at risk' countries have emerged as significant growth opportunities for our business in recent years. While the protection of human rights and enhancement of labour conditions are largely the responsibility of governments and international bodies, we recognise our responsibility to conduct our business so as to protect the rights of individuals.

We support the principles defined within the United Nations Universal Declaration of Human Rights and the International Labour Organisation Core Conventions, including the conventions in relation to child labour, forced labour, non-discrimination, freedom of association and collective bargaining. Compliance with and respect for these core principles are integrated within the risk assessment procedures and impact assessments which are undertaken when entering into business in a new territory and within the due diligence processes when making an acquisition or entering a joint venture.

While we are confident of the performance of our own operations, we recognise that business practices in the supply chain are not always transparent and represent a risk that must be managed. Every effort is made to ensure the issues are managed effectively.

Management of the supply chain and contractor activities is a core component of the ISO 9000 and ISO 14000 series of standards. Supply chain and contractor management questionnaires are a requirement of achieving and maintaining registration and as such, ISO registered Johnson Matthey sites require the completion of appropriate questionnaires. For those sites without ISO registration, the group EHS management system provides policy and guidance on both supply chain management and contractor control.

Ethical Management

The Johnson Matthey ethical policy is integrated into the Group Control Manual and is available to employees at all sites. Measures are in place to identify and prevent fraud or money laundering through activities undertaken by Johnson Matthey or on behalf of customers.

Johnson Matthey facilities have established policies and procedures through which employees can raise employment related issues for consideration and resolution. In the US a confidential and secure website and telephone helpline was established in 2006 to give employees an additional means to raise any issue of personal concern. These confidential reporting arrangements have been extended to all Johnson Matthey employees worldwide during 2007.

The group control self assessment process assesses the implementation of the ethical policy. Implementation is also assessed as part of the internal audit programme.





Johnson Matthey

Business Integrity and Ethics Policy

A reputation for integrity has been a cornerstone of Johnson Matthey's business since Percival Norton Johnson founded it in 1817. It gives customers the confidence that the company's products meet the standards claimed for them and that they may safely entrust their own precious metals to Johnson Matthey for processing and safe keeping. Employees at all levels are required to protect Johnson Matthey's reputation for integrity.

The company strives to maintain the highest standards of ethical conduct and corporate responsibility worldwide through the application of the following principles:

- Compliance with national and international laws and regulations is required as a minimum standard.
- Reputable business practices must be applied worldwide.
- Conflicts of interest must be declared and appropriate arrangements made to ensure that those with a material interest are not involved in the decision making process.
- Improper payments of any kind are prohibited, similarly no gift whose value is material and which may be interpreted as a form of inducement should be accepted or offered by Johnson Matthey employees.
- Reporting of business performance should be undertaken in such a way that senior management is fully and properly informed concerning the business' true performance, risks and opportunities in a timely manner.
- Ethical issues must be dealt with in an efficient and transparent manner. A positive contribution to society as a whole, and specifically to the communities in which we operate, must be ensured.
- We must seek to influence our suppliers to operate to similar high standards as ourselves.

All employees have a duty to follow the principles set out in Johnson Matthey's Business Integrity and Ethics Policy Statement. It is the responsibility of directors and senior management to ensure that all employees who directly or indirectly report to them are fully aware of Johnson Matthey's policies and values in the conduct of the company's businesses. It is also the responsibility of directors and senior management to lead by example and to demonstrate the highest standards of integrity in carrying out their duties on behalf of the company. These issues are further safeguarded through corporate governance processes and monitoring by the board and sub-committees of the board.

Regulatory Matters

Responsible Care

As a member of the Chemical Industries Association (CIA), Johnson Matthey has adopted the principles of Responsible Care® and the sustainable development goals and guiding principles outlined by the CIA in its 'Chemistry of Sustainability' report. This report describes how best to integrate environmental and social sustainability goals into strong economic performance. Responsible Care® is a voluntary programme in which companies commit to continuously improving their environmental, health and safety performance, with a particular emphasis on product stewardship and sustainability, and to communicating with stakeholders about their products and processes.

REACH Regulation

The REACH regulation which introduces the new EU chemical management framework is now in force and Johnson Matthey has been preparing for its implementation since the final shape of the legislation became clear several years ago. We have established a centrally coordinated REACH compliance programme covering all of our operating units and products within the scope of the regulation. Key objectives of the programme are to assure uninterrupted product flows to customers and ensure our high rate of product innovation is not affected. To avoid unnecessary testing and reduce the cost and technical burden of compliance, the company is collaborating with other industrial companies under the auspices of key trade associations. Considerable effort has been made to maintain dialogue and information flow throughout the supply chain so that product and process materials and their uses are well characterised. Individual Johnson Matthey business units will be progressing substance pre-registration and registration actions in line with REACH timelines from June 2008 onwards.

Johnson Matthey expects further international developments to occur in the next year on the territorial implementation of the Globally Harmonised System (GHS) of chemical hazard classification. This important framework encompasses the development of universal classification criteria and information provisions for chemical products with an aim of globally standardised safety data sheets and hazard labels. We support the overall aim of GHS. We have already conducted regulatory impact assessments for our operations and commenced preparation for its phased introduction.

We will deploy significant resources on our corporate REACH and GHS management projects, with the objective of timely and effective compliance. Next year is expected to be one of the most active in terms of progression of a number of REACH registration projects linked to the first deadline of 2010.

European Emissions Trading (EU ETS) Directive

Johnson Matthey has only one permitted site participating in this scheme. This site, located in the UK, remained within the pre-existing Climate Change Agreement Scheme and so benefited from the opt-out applicable to UK sites until phase two of the EU ETS began in January 2008. At that time, the site became an active participant in the scheme. Allowances for the site have been allocated and due to the peculiarities of the rules there will be a shortfall of 10,000 tonnes of CO₂ resulting from the coincidental commissioning of an energy saving combined heat and power (CHP) unit during the baseline year. This will provide further stimulus for energy saving initiatives at the site to minimise the need to purchase carbon credits.

Product Stewardship

Product stewardship involves an integrated approach to products, materials and services management designed to assess, minimise and eliminate the environmental and health related impacts of products. Johnson Matthey is committed to product safety and conducts systematic and rigorous evaluations of our new and existing products. The process involves characterisation of any risks associated with product use, a determination of the related risk management measures and coupled mechanisms to effectively communicate this information outside the company.

Product Stewardship Performance

A systematic product responsibility reporting scheme conforming to the Global Reporting Initiative Sustainability Reporting Guidelines has been introduced to monitor the performance of Johnson Matthey operations. No notifications of significant health effects at end user level involving Johnson Matthey products were reported by our business units in 2007/08. In addition, no major incidents or environmental releases during product transportation and distribution were recorded. On 27th July 2007 Avocado Research Chemicals Limited, a subsidiary of the company, was fined £600 and ordered to pay £100 costs after pleading guilty at the City of London Magistrates' Court to the unlawful exportation of a controlled chemical substance. Following the incident, the business has improved its automated ordering system and recruited a dangerous goods compliance specialist to prevent recurrence.

During 2006/07 we established a central Group Product Stewardship function and this year we have further upgraded our global product safety and product sustainability systems. Best practice improvements to site and business unit product stewardship programmes have been introduced across a number of operations within the group and we have recruited several new technical specialists into our business unit product stewardship functions to augment their capabilities.

Significant progress has been made in establishing methods to conduct hazard characterisations and to specify voluntary exposure control standards for our workplace.

Product Stewardship Targets

We will complete the development of consistent product stewardship guidelines for our products. This will include more work on product sustainability criteria and ranking systems for new product introduction.

Johnson Matthey will continue in its commitment to phase out or substitute chemicals of concern where feasible, and to avoid such substances in new technology developments. We will continue to engage with the chemical and metals sectors on areas such as product stewardship practices and responsible care, the evaluation of new technologies and on restricted substance management.

We will continue to enhance our levels of employee protection with sustained emphasis on controlling workplace chemical exposures and improving chemical risk assessment. We will work towards improved occupational hygiene and chemical containment programmes.

Animal Testing

In common with all companies developing and marketing new substances, Johnson Matthey is obliged by international legislation to make toxicity information available to assure product safety for humans, wildlife and the environment. However, we always attempt to limit testing and avoid redundant studies by undertaking collaborative work with industrial partners where it is established that suitable data does not already exist. If in vivo studies are unavoidable, it is ensured that such work complies with applicable laws, regulations, licensing and welfare codes.

Johnson Matthey strongly shares a desire that is widespread in society to increase reliance on properly validated alternative methods which reduce, refine or replace the use of animal testing. We remain optimistic that advances in toxicology science will enable us to further minimise animal testing, while continuing to protect human health and the environment now, and for future generations.