

Governance

Good governance is a key element of sustainability. We aim to be clear about what we do, communicate effectively and demonstrate leadership, transparent reporting and excellent performance management.

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

Johnson Matthey embraces a culture of continuous improvement in all aspects of sustainability. We drive continuous improvement 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); Employment; and Business Integrity and Ethics which provide the framework for managing environmental, social and governance matters.

These well established 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. Over the last year further initiatives have been undertaken to improve our operational performance.



CASE STUDY

Johnson Matthey – One to Admire! >

Find out what other companies in the industry think of Johnson Matthey

[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, the Audit Committee and the Chief Executive's Committee (CEC).



The **board** has embedded environmental, social and governance matters into its risk management processes and formally reviews the area once a year. The board is ultimately responsible for social, environmental and ethical matters. It met eight times during the year. Specific responsibilities are delegated to board committees and the minutes of the sub-committee meetings are presented at each board meeting.

The **Chief Executive's Committee (CEC)** is the sub-committee of the board responsible for the day-to-day management of the company. It meets monthly (except in August) and is chaired by the Chief Executive. During 2008/09 it comprised the executive directors and five senior executives of the company.

The CEC has approved policies on Environment, Health and Safety (EHS), Business Integrity and Ethics and Employment. These policies set out key objectives for assessment and control of risks and have been distributed to site management. The 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.

[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](#)

The CEC receives reports and minutes of the meetings of its sub-committees which address specific risk and control areas and review 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 in every CEC meeting. During the course of the meetings, key EHS, social and governance issues are reviewed.

The **CSR Compliance Committee** is a sub-committee of the CEC with specific responsibility 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 identifying and monitoring EHS, social and governance 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. 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 (the North American Compliance Committee, NACC) 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.

The **Audit Committee** reviews the business risks associated with CSR at least once a year and monitors performance through the annual control self assessment process conducted by Johnson Matthey's internal audit function.

Where possible, Johnson Matthey uses a rigorous scientific approach in understanding the risks to health and the environment associated with its operations and the products that it provides to the marketplace. In the absence of this scientific data, and where appropriate, the company uses the precautionary principle in its approach to the potential risks.

Enhancing Employee Understanding

We have continued to focus on employee understanding of Johnson Matthey's policies and commitment to their implementation to maintain and enhance the reputation of the company. Compliance training for managers in their responsibilities for employees, commercial contracts and company assets has been maintained during the year through online learning programmes and seminars. Over the past two years more than 200 managers, representing around 25% of our general and executive managers worldwide, have received this compliance training through attendance at a seminar. An online version of the training has been developed and trialled during the year and is now being made available on a planned basis to all new recruits and those general and executive managers outside the US who have not attended a training seminar. In the US there is a well established programme of compliance training in place. To date, 1,980 employees have completed an online Fraud in the Workplace module and 1,626 employees have completed a Johnson Matthey Code of Conduct module.

Performance Management

We drive continuous improvement in all aspects of sustainability through corporate policies, a comprehensive management system and the commitment of our employees. We have 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 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. We are also a member of the London Benchmarking Group.

As we continue to embed the principles of sustainability, we are working to develop a broader framework for managing sustainability performance across the group and more widely through the supply chain. We are currently developing a group sustainability policy and management systems to outline group requirements and the responsibility of facilities and individuals in meeting the requirements.

Work has also continued on developing appropriate sustainability tools which will be used to benchmark and measure performance in new areas. We have begun to introduce the use of the streamlined life cycle assessment (SLCA) methodology as means to understand and define the impacts of our products at every stage of their life cycle. The methodology has been developed with a focus on 'designing out' unsustainable aspects throughout the whole life cycle and identifies the major issues in relation to a product or process in a qualitative manner, allowing key aspects to be strategically explored in greater quantified detail as necessary. Specific studies so far have included the examination of new precious metal containing products and scenario planning for base metal containing process catalysts at their end of life.

We have also continued to assess and develop appropriate carbon footprinting methodologies. Although many of our products deliver benefits with respect to energy efficiency, CO₂ emissions and hence climate change, this must be balanced against the fact that some of our manufacturing processes are energy intensive. We have therefore embarked on a programme to assess the carbon footprint of a number of our product ranges. To date we have assessed the cradle to gate carbon footprint of two main process catalyst product families at our site in Clitheroe, UK and have studied the production process at one of our major emission control catalyst manufacturing facilities in the US. This work supports our longer term aim to extend our assessment of the carbon impact across Johnson Matthey's supply chain.



CASE STUDY

Calculating our Carbon Footprint at Clitheroe >

Read about our life cycle assessment studies

We continue to research and trial further sustainability tools to make sure we select those that will ensure consistent and comparable metrics across the group. During the year, we have also made further progress in developing systems to manage performance in the wider supply chain. We have conducted a detailed audit of one of our key suppliers and have begun to develop a sustainable procurement policy for the group.



FTSE4Good



[Click here to read more about these initiatives](#)



Policies and Management Systems — Environment, Health and Safety

The Chief Executive has board responsibility for Environment, Health and Safety (EHS) and 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.

A written policy statement, formulated and agreed by the Chief Executive's Committee 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 group and is published externally.

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

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.

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.



CASE STUDY

Risk Reduction and Employee Safety at Ward Hill >

How emergency alarm systems have been upgraded at the site

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.

Since 2003/04, 14 of our major manufacturing facilities' local EHS management systems have been audited against the OHSAS 18001 Health & Safety Management System standard. All comply with its requirements and have achieved registration to the standard.



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, as well as providing an 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 action is taken on any outstanding issues. A total of 28 detailed compliance audits and seven one day audit action reviews were completed during 2008/09.

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. Initial reviews since the implementation of a revised health management strategy in 2005 were completed at all operational sites in 2008 and the programme of repeat reviews has commenced.

Annual Health Management Review and Planning



Driving Continuous EHS Improvement

Training is vital to ensure continuous improvement in EHS performance. A number of seminars on high priority health and safety topics were completed during the year across the group. A project management training course at our plant in Shanghai gave facility managers and engineers from across Asia the opportunity to enhance their understanding and share best practice on improving the EHS aspects and impacts of significant development projects. Following this, the course content was reviewed and expanded to provide attendees with a greater level of guidance on how to deploy robust project management techniques. It will be relaunched across the group during 2009/10.



CASE STUDY

[Improved Training on Chlorine Cylinders at West Deptford >](#)



How new equipment at the site is providing practical and more realistic training

Regular meetings are held in both Europe and North America to provide an opportunity for our EHS professionals to network, share current best practices and discuss the impact of future EHS based legislation. Similar meetings will be held in Asia over the next year to provide further networking opportunities within our Asian EHS teams.

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.

Our review last year of the investigation reports on the incidents at BP's Texas City refinery and the Buncefield, UK oil storage facility generated a number of actions to integrate relevant learning into our existing EHS management systems. During 2008/09, Group EHS has worked with Aker Solutions EHS & Risk Consultancy Services to develop a process risk management vertical audit tool for use alongside our EHS audits. The project aimed to prioritise our major manufacturing sites on a risk basis and enable pragmatic process safety measures to be developed through gap analysis of the difference between the scale of hazards and the suitability of existing controls. The first pilot process risk management audit was carried out at our facility in Germiston, South Africa, in December 2008. The audit concentrated on high consequence / low probability events and revealed some valuable new opportunities to further understand and minimise risk. Further process risk management audits are planned during 2009/10.

Following steady improvement in our accident statistics in previous years, our performance in 2008/09 has highlighted the need to revitalise Johnson Matthey's accident prevention processes. The company has recently launched an initiative to introduce 'EHS Learning Events' to all facilities to help drive a reduction in the rate of injuries resulting in lost time. An EHS Learning Event would typically occur when opportunities to improve the safety of the workplace are identified or when situations are observed which may necessitate 'at risk' behaviour in achieving the required tasks or activities. Employees and long term contractors will be invited to make a brief note of events from which lessons can be learnt. This will provide site managers with a valuable new source of information about elements of the working environment that might lead to injury and employees will gain a sharpened sense of the risks around them. As the system becomes embedded we are confident this should result in reduced incidence of lost time injuries across the group.

[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.

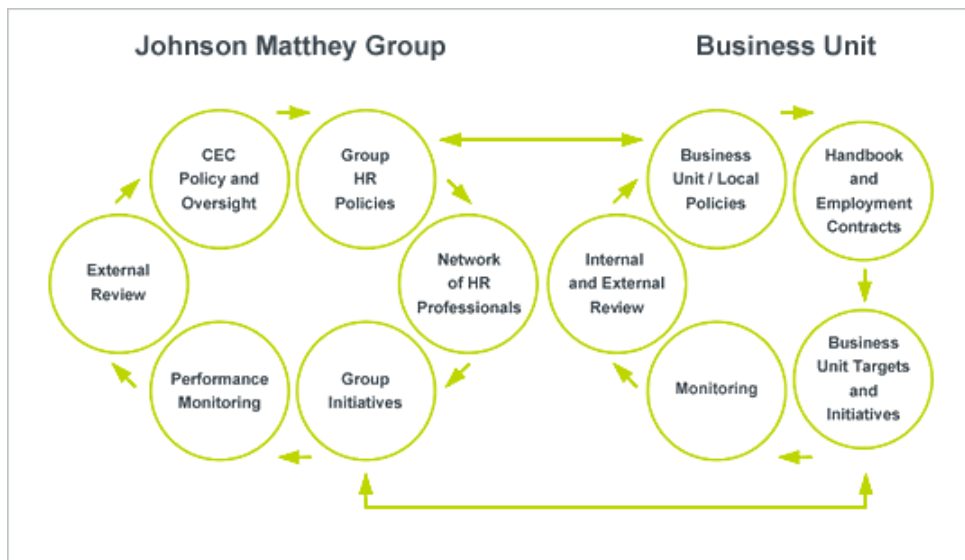
In order to achieve these objectives we will:

- 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.

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 individual business 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 and are reported to the board.



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

The group will recruit, train and develop employees who meet the requirements of the job role, regardless of gender, ethnic origin, age, religion, sexual orientation or disability. The policy recognises that people with disabilities can often be 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, restructure jobs or to improve access to premises, provided such action does not compromise health and safety standards. Similarly, employees who become disabled will be offered employment opportunities consistent with their capabilities. We value the diversity of our people as a core component of a sustainable business 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



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. These issues are further safeguarded through corporate governance processes and monitoring by the board and its sub-committees. All employees have a duty to follow the principles set out in the Business Integrity and Ethics Policy. It is integrated into the Group Control Manual and is available to staff at all sites.

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. Here, significant investments are defined as those that require approval by the Chief Executive's Committee or the board. All of the significant investments have undergone assessments of human rights or have included specific clauses relating to human rights. This is in accordance with Johnson Matthey's human rights position and our business integrity and ethics policy.

While we are confident of the human rights 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.

Supply Chain

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.

In March 2009, around 20 people from our businesses' European procurement teams met to review and discuss sustainable procurement. Participants also shared their ideas on best practice and as a result, development of a sustainable procurement policy for the company has been initiated.

In April 2009, Johnson Matthey conducted a corporate social responsibility audit of one of our most important suppliers, Anglo Platinum Limited. The purpose of the audit was to verify that Anglo Platinum's policies and philosophy on the non-financial elements of the sustainability triple bottom line are aligned with Johnson Matthey's position. Six critical elements were scrutinised: management of sustainable development; ethics; labour; environment; health and safety; and communities. For each element the audit team reviewed Anglo Platinum's published corporate policies, then verified them with local manufacturing

site management and finally with groups of workers. The audit revealed that Anglo Platinum's policies and philosophy on corporate social responsibility are in line with those of Johnson Matthey.

Johnson Matthey's own corporate social responsibility stance is aligned with globally recognised standards published by organisations such as the World Bank and the International Labour Organisation. Performance indicators published by these organisations were used in constructing the audit questionnaire.

A particular focus for the audit was the resettlement project being undertaken by Anglo Platinum at the Mogalakwena development near Mokopane in Limpopo Province, South Africa. Anglo Platinum's conduct during this project has been the subject of some adverse publicity recently, with allegations made of human rights infringements. Johnson Matthey was keen to visit the area and form its own view. No human rights infringements were identified, although the auditors agreed with Anglo Platinum's own view that lessons had been learned during the project which would be used to improve management of similar projects in the future.

Ethical Management

Johnson Matthey's 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. A confidential and secure 'whistleblowing' website and telephone helpline is also in place to give all employees an additional means to raise any issue of personal concern.

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. 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.

Regulatory Issues

On 2nd December 2008, Johnson Matthey Inc. (JMI) was sentenced in the US District Court, Salt Lake City, Utah, for a single felony violation of the US Clean Water Act (CWA), namely knowingly rendering inaccurate a reporting method in January 2000. The conviction arose from a federal investigation into wastewater practices at the company's Salt Lake City refinery that began in 2002 and led to prosecution by the US Department of Justice. JMI's conviction followed the September 2008 conviction of two former managers of the Salt Lake City refinery who had entered guilty pleas to a single felony under the CWA. The outcome for JMI came about by means of plea agreements entered into with the federal government following a successful challenge in Utah state court to the underlying permit that was fundamental to the indictment. As a result, nearly all the charges in the indictment were withdrawn.

The criminal violation related to the selective screening of wastewater samples for compliance analysis. Even though there was no harm to the environment, the company was ordered to pay a fine of \$2.25 million and contributed \$750,000 to the National Fish and Wildlife Fund. JMI will be on probation for three years. The two managers were also placed on probation and ordered to pay nominal fines. Their employment with Johnson Matthey has been terminated. In further resolution of the issues arising from this investigation, JMI has entered into a three year Compliance Agreement with the US Environmental Protection Agency, effective 2nd December 2008.

Chemical Control Regulations (REACH, GHS, TSCA and Related Standards)

Johnson Matthey's corporate REACH compliance programme is well advanced. Key REACH pre-registration requirements were successfully completed to ensure efficient future phasing of our substance registrations and several hundred declarations covering various product ranges were submitted. We continue to collaborate in industry consortia under the auspices of trade associations to share the costs and technical efforts for compliance and individual substance registrations remain on track to commence in 2010. During 2008/09, a corporate REACH website was launched to support our customers and enhance supply chain communication.

Preparations also continued to implement the Globally Harmonised System (GHS) for chemical classification and hazard communication. During January 2009, the European Union commenced enactment of GHS and work is well underway within our European businesses to ensure we meet the requirements of the legislation timescales.

In addition to REACH and GHS, chemical control policy reform has become a regulatory focal point in a number of regions. The US EPA Chemical Assessment and Management Program (CHAMP) and the Canadian Chemicals Management Plan (CMP) have both set new data targets for industry and the company has developed a related response plan to manage the necessary requirements. As part of our continuing improvement programme on product stewardship, internal systems to cover further chemical control regimes, such as the US Toxic Substances Control Act, were upgraded.

European Emissions Trading (EU ETS) Directive



The EU ETS cap and trade scheme was introduced in January 2005 and the company's facility at Royston, UK is the only site affected. The site opted out of Phase 1 of EU ETS as part of the Climate Change Levy Agreement (CCLA) scheme, but commenced participation in Phase 2 on 1st January 2008.

The allowances granted to the site in Phase 2 are 14,748 tonnes of CO₂ per annum based on the average performance measured in the baseline years of 2000 to 2003. For 2008 the site had a verified output of 22,434 tonnes which gave a deficit of 7,686 tonnes. In future years, the level of deficit will depend on site demand and amount of combined heat and power (CHP) operation achieved. Energy saving measures continue across the Royston site which will help to reduce the level of purchased additional credits.

The current Phase 2 allowance cost is trading low at €15 per tonne due to the economic crisis but as a tradable commodity, the price of credits can fluctuate. For example, Phase 2 allowance prices have ranged from €22 per tonne at the introduction of the scheme in January 2008 to a high of €28 per tonne in July 2008.

Carbon Reduction Commitment (CRC)

During 2009, the UK government will begin the implementation of the Carbon Reduction Commitment, a mandatory emissions trading scheme to promote energy efficiency and help reduce carbon emissions. This cap and trade scheme is designed to capture significant users of electricity (>6,000 MWh per annum) that are not already covered by the UK's Climate Change Levy Agreement. The scheme applies to organisations rather than individual operations and so should not affect Johnson Matthey's UK sites while they remain part of Johnson Matthey Plc (the parent organisation). Johnson Matthey Plc will be registered with the CRC but we expect to be exempt from participation given that substantially more than the current threshold of 25% of our total energy is covered by Climate Change Levy agreements. The threshold of 25% could be raised in future which could potentially affect exemption.

Product Stewardship

Introduction

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. As part of our commitment to sustainability, we appreciate that all the chemicals we use must be managed responsibly. Our product stewardship systems are aligned to a key goal in the 2002 Johannesburg World Summit on Sustainable Development to 'use and produce chemicals in ways which will lead to the minimisation of significant adverse effects on human health and the environment'.

The company is committed to product safety and conducts systematic and rigorous evaluations of both 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's operations. No notifications of significant health effects at end user level involving Johnson Matthey's products were reported by our businesses in 2008/09. In addition, no major incidents or environmental releases during product transportation and distribution were recorded. On 22nd December 2008, Johnson Matthey BV Colour Technologies was fined €3,500 for an instance of non-compliance with hazardous material transportation rules. There were no incidents of non-compliance resulting in a warning by an official body. During the year there were four incidents of non-compliance with codes of practice relating to product hazard communication information. These were self detected in the businesses and resolved internally.

We have continued to implement a rolling programme to maintain best practice in our product stewardship systems across all our businesses and operations. During 2008/09, a further three compliance specialists were recruited to our corporate product stewardship teams to support our efforts.

As part of our commitment to further reducing the incidence of occupational illnesses attributable to chemical exposure and improving workplace occupational hygiene and chemical containment programmes, a global oversight committee has been established to steer development of voluntary exposure guidelines. This approach is aligned with industry best practices to manage chemicals lacking official limits and builds on our existing systems for these chemicals. During 2008/09, 46 new internal workplace exposure guidelines have been developed across the group.

Product Stewardship Targets

Our product stewardship targets are to:

- Continue to drive improvement in product sustainability and effective product stewardship in both the supply chain and in our own operations.
- Work towards enhanced product sustainability as part of our overall corporate sustainability programme with a particular focus on managing restricted substances, the use of optimisation strategies during new product introduction and the application of green chemistry in product design. This continues to support our commitment to avoid substances of concern in the development of new technologies and to phase out these substances in existing products wherever feasible. The use of systematic selection mechanisms will also be applied to help identify alternatives with preferred profiles in terms of human health and environmental safety.
- Promote the use of objective hazard ranking techniques and related exposure control targets in relation to our chemical products and process intermediates. These will be



applied in Johnson Matthey's workplaces and more widely in our product stewardship and risk management activities throughout the supply chain.

- Continue to focus on reducing employee exposure to hazardous substances in the workplace.

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. 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 has adopted the '3Rs' approach to increase reliance on properly validated alternative methods which reduce, refine or replace the use of animal testing. We are now increasing the use of the latest integrated (intelligent) testing strategies (e.g. *in vitro* assays, computer modelling of effects and test waiving submissions).

The group does not manufacture any cosmetics or consumer goods and any testing needs are therefore aligned to regulatory requirements for industrial chemicals. As a consequence of our collaboration work, adoption of the 3Rs principles and use of integrated testing strategies, the testing we commission is limited to a very small scale. Johnson Matthey only uses fully accredited contract research organisations and does not undertake any in house testing. Any testing required as a result of the introduction of REACH will be carried out within industry consortia.

Johnson Matthey shares current public and political concern over animal testing and we only commission tests when absolutely mandated by law and if no alternatives exist. 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.