

## Governance



Good governance is a cornerstone of sustainability and the group has well established policies and management systems to support this which apply to all operations worldwide. Legal requirements are a minimum standard and in many cases our policies and systems are in advance of these. Johnson Matthey has 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.

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) and further details on this and the board's statement on corporate governance matters are presented in the Annual Report.

Johnson Matthey has adopted the principles of corporate social responsibility and embedded them into its risk management processes. Performance management systems and corporate policies and a commitment to continuous improvement underpin our sustainability goals and through the launch of Sustainability 2017 we have defined our own vision and direction to manage our impacts and opportunities with increasing efficiency.

We aim to be clear about what we do, communicate effectively, report our progress transparently and demonstrate leadership and best practice in every aspect of sustainability. Since 2003 we have reported annually on our social, environmental and ethical performance in a separate CSR or sustainability report.

[Read more about engagement with stakeholders.](#)

### Business Integrity and Ethics

Johnson Matthey strives to maintain the highest standards of ethical conduct and corporate responsibility worldwide to ensure we act with integrity, transparency and care for the rights of the individual. The group's principles are set out in the Business Integrity and Ethics Policy and issues are further safeguarded through corporate governance processes and monitoring by the board and its committees. The policy applies to all the group's employees and is presented on the website. The company supports the ten principles of the United Nations Global Compact in the areas of human rights, labour, the environment and anti-corruption.

Compliance training is provided to employees to support their understanding of and commitment to group policies in order to protect and enhance the company's reputation. The training educates managers in their responsibilities for employees, commercial contracts and company assets and is delivered globally via online learning programmes and seminars. During 2009/10, 482 managers completed this training. In the USA there is a well established programme of compliance training in place. In 2009/10, 1,986 employees completed an Ethics Overview module and 1,676 employees completed a Preventing Workplace Harassment module.

All facilities have established policies and procedures for employees to raise employment related issues for consideration and resolution. A confidential and secure 'whistleblowing' website and telephone helpline are also in place to give all employees additional means to raise any issue of personal concern.

Management of 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 operations require the completion of appropriate questionnaires. For those operations without ISO registration, the group EHS management system provides policy and guidance on supply chain management and contractor control. In addition, the group has recently published an Ethical and Sustainable Procurement Policy which supports our aim of ensuring that the way business is conducted throughout the whole of our supply chain conforms to our own standards.

[Read more about the Ethical and Sustainable Procurement Policy.](#)

Johnson Matthey is confident of the human rights performance of its own operations but recognises 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. 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.

## Managing Sustainability

Johnson Matthey has well established processes, policies and management systems for managing sustainability which are described in detail on the group's website.



The Board of Directors is ultimately responsible for social, environmental and ethical matters. These matters are embedded into the group's risk management processes and reviewed annually by the board. The Audit Committee monitors performance and reviews the business risks associated with corporate social responsibility (CSR) at least once a year. Policies are set and approved by the Chief Executive's Committee (CEC). The CEC also addresses risk and control issues and reviews key environment, health and safety (EHS), social and governance issues. The CSR Compliance Committee is a sub-committee of the CEC and has specific responsibility for setting standards and overseeing compliance with group standards and for identifying and monitoring EHS, social and governance risks. At a strategic and operational level, a group sustainability team, chaired by the Group Sustainability and Technology Leader, reports to the CSR Compliance Committee.

Group policies and management systems provide the framework for managing performance and driving continuous improvement. Sustainability is managed across the group according to five elements: financial; governance; social; health and safety; and environment.

Accountability at division and individual business level is an important underlying feature of Johnson Matthey's culture and this principle is borne through in the way we manage sustainability. This emphasis on local action also plays a key part in Sustainability 2017 and has done so from the development work leading up to its launch in December 2007 and then subsequently since we have embarked on its delivery. Achieving our goals has always been underpinned by making sustainability our 'way of doing business' and the principle of fully embedding sustainability into our routine business processes and planning activities was established at an early stage.

Every business is required to include sustainability in its annual budget setting process and must define the nature of the programmes and projects to be undertaken, together with capital expenditure requirements and value generated over a three year business cycle. Target metrics that are meaningful in a local business context are requested as part of the plan, together with details of the contribution that the programme will make towards reaching the group's overall objectives. The plans include the contribution to sustainability stemming from improvements in operations together with benefits derived from the development of new and improved products.

These plans are discussed with the Chief Executive's Committee as part of the annual budget discussions, are reviewed by the Audit Committee and are formally approved by the board. As part of the process, progress against the Sustainability 2017 targets is assessed on a group basis to establish if additional management action is required.

Senior management rewards are based on achieving outstanding performance and enhanced earnings per share growth. Sustainability is an essential part of achieving such performance and is an integral part of the annual budget and strategic planning process as described above. Annual incentives and goals for middle management include personal objectives that can be used to drive sustainability.



# Managing Sustainability

## Site and Functional Reviews

During 2009/10 we have introduced a more formal system of site and functional reviews to stimulate improved performance towards Sustainability 2017. Conducted by members of the group sustainability team, the reviews aim to raise awareness of sustainability, provide help and support with initiatives, identify and share examples of good practice and ensure that the principles of sustainability are fully embedded across Johnson Matthey.

The site and functional reviews also focus on the progress being made against local plans and on the alignment of local targets with the 2017 goals. They provide a forum for discussions on every aspect of sustainability and an opportunity to explore any challenges and barriers encountered. Reviews also include examination of the tools and metrics which can be used to understand the sustainability impacts and benefits of our operations and products, an area where Johnson Matthey is actively developing capability.

Read more on the work we are doing to better understand the sustainability impacts and benefits of our operations and products.

In 2009/10, 23 site / functional reviews were undertaken and three main themes have emerged:

- There continues to be a high level of engagement with Sustainability 2017 among employees across business functions.
- Across the group, a good balance between the social, environmental and financial aspects of sustainability is being considered.
- There is recognition that although good progress has been made in our first two full years of Sustainability 2017, there is the need to accelerate performance to bridge the gap between our current position and the 2017 targets.

Site and functional reviews will continue in 2010/11 as a valuable part of our processes for managing sustainability and driving progress towards 2017 and beyond.

## Managing EHS Performance

Compliance audits are used to monitor and drive improvement in EHS performance and all Johnson Matthey operated manufacturing and research and development facilities are included in the audit programme. Health management reviews are undertaken every three to four years at all operational sites. All audit reports, including health management reviews, are reviewed by the CSR Compliance Committee and appropriate follow up actions are taken on outstanding issues. During 2009/10, 30 detailed compliance audits and six one day audit action reviews were completed. Health management reviews were conducted at 14 facilities. 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.

Training is also important in supporting EHS performance improvement and a variety of programmes are in place. Regular meetings are held in Europe and North America to enable EHS professionals across the group to network, share best practice and discuss the impact of future EHS legislation. Meetings have been extended to include the Asia region and its first meeting was held in May 2010.

Read more on how we manage sustainability.

## Progress in the Year



Work has continued this year to further integrate sustainability into our management processes, support the group's businesses in delivery of the 2017 targets and further embed sustainability across all businesses and functions. A system of site and functional reviews has been introduced to accelerate progress towards Sustainability 2017.

Read more about site and functional reviews and how we manage sustainability.

Johnson Matthey's vision for a sustainable business has always extended beyond how we operate our manufacturing processes and the nature of the products we supply. Over the past year, work has commenced to understand more fully the sustainability implications of our supply chains through conducting supplier audits, expanding the use of tools and metrics to measure impacts (carbon footprint, streamlined life cycle assessments) and undertaking assessments of alternative end of life opportunities for specific products (adopting a 'cradle to cradle' approach).

Read more about our work on understanding the sustainability implications of our supply chains.

As stated in our Sustainability 2017 Vision we aim to encourage our suppliers to adopt the values of sustainability which we uphold and during the year we have developed an Ethical and Sustainable Procurement Policy. The process began in March 2009 with a workshop for the group's European procurement professionals. This highlighted the absence of a group wide procurement policy that encompassed all aspects of sustainability and ethics. Following the workshop a policy was developed and after approval by the CSR Compliance Committee, it was published in May 2010.

The Ethical and Sustainable Procurement Policy applies to all purchases of goods and services and supports our aim of ensuring that the way business is conducted throughout the whole of our supply chain conforms to our own standards. It provides clear guidance on various topics including those relating to the selection of suppliers, auditing against standards and ethical conduct with suppliers. It also sets out how we will conduct business with our suppliers and describes the expectations we have of our suppliers regarding the way they conduct their business.

The new policy will support our existing systems in this area (such as supplier and toll manufacturer audits) and complements our work to further understand life cycle impacts across the supply chain.

## Regulatory Matters

### Responsible Care

As a member of the Chemical Industries Association (CIA), Johnson Matthey has adopted the principles of Responsible Care<sup>®</sup> and the sustainable development goals and guiding principles outlined by the CIA in its 'Chemistry of Sustainability' report. Responsible Care<sup>®</sup> 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.

Details of our regulatory performance in 2009/10 are given in the Product Stewardship section of this report.

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

Johnson Matthey's corporate REACH compliance programme is well advanced. Projects to support substances subject to registration in 2010 are on track and it is anticipated that all dossier submissions will be made on time. These submissions relate primarily to our precious metal products (e.g. silver group substances) and base metal catalysts. Good progress has also been made on the data set assembly and testing requirements for the next phase of registrations scheduled for the period 2011 to 2013. Based on current plans, we anticipate being ahead of the regulatory deadlines for approximately 40% of substances in this next phase of REACH.

We continue to participate in industry consortia collaborations as an efficient and cost effective method of managing current and future registration requirements including REACH and Globally Harmonised System (GHS) testing requirements. Collaborative participation is also important in supporting our efforts to avoid unnecessary *in vivo* testing.

Our businesses are now engaged in the transition to the Globally Harmonised System (GHS) for chemical classification and hazard communication and work is underway to ensure compliance with the European Union Classification, Labelling and Packaging Regulation. As part of our continuous improvement programme for product stewardship, a comprehensive training update programme on the US Toxic Substances Control Act (TSCA) is being delivered across the group and is over 80% complete.

