



Johnson Matthey

# Corporate Social Responsibility Review

2003/2004

## INDEX

3	Chief Executive's Introduction
5	Corporate Governance
6	Ethics
8	People
11	Community
13	EHS Management
17	EHS Performance
26	Johnson Matthey Products
28	Summary
30	Verification
31	Case Studies



## **Chief Executive's Introduction**

### **Corporate Governance**

### **Ethics**

### **People**

### **Community**

### **EHS Management**

### **EHS Performance**

### **Johnson Matthey Products**

### **Summary**

### **Verification**

### **Case Studies**

### **Johnson Matthey Divisions**

#### **Catalysts**

#### **Precious Metals**

#### **Pharmaceutical Materials**

#### **Colours & Coatings**

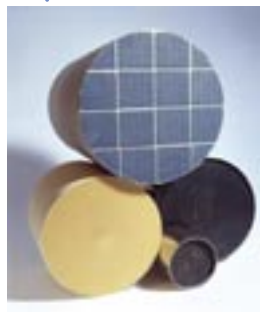
I am very pleased to welcome you to the 2004 edition of Johnson Matthey's Corporate Social Responsibility (CSR) Review. As with our first CSR Review, published last year, we have again chosen to present this on the internet in order to make it fully accessible not only to our shareholders but also to the many other interest groups who wish to gain a detailed understanding of our products and the way that we manage our business. Our 2003 CSR Review was well received and we have had a good deal of very useful feedback from shareholders, CSR analysts and other professionals as well as from the general public. This feedback has been very helpful in putting together this 2004 Review, which we hope will demonstrate further progress.

This year's data includes a full year contribution from the Syntex business. This change in the profile of Johnson Matthey has resulted in adverse movement in a number of environmental performance indicators. Plans are in place to return emissions to a downward trend.

The board of Johnson Matthey is fully committed to the principles of corporate social responsibility and we place the highest emphasis on monitoring and improving the company's performance in this area. All of the policies and management systems described in this review apply to all of Johnson Matthey's facilities around the world.

We believe that Johnson Matthey makes a significant contribution to sustainable development through the ingenuity of its people, its commitment to investment in research and development and in world leading manufacturing technology and the generation of profits. Many of our products improve the quality of life for millions of people around the world. These range from catalysts for the control of vehicle emissions and for improved efficiency in chemical processes to anticancer compounds and drugs for the control of acute pain. Our commitment to the fuel cell, which represents the only truly viable alternative to the internal combustion engine offering clean and green transport and energy for the future, places us at the forefront of sustainable energy technology.

The information presented in this review covers the financial year from 1 April 2003 to 31 March 2004. Environmental data is presented for calendar year 2003. The last year has seen the launch of a number of initiatives to improve Johnson Matthey's CSR performance and these are already beginning to demonstrate tangible results. We are planning further actions in the year ahead to carry us further down the road towards world leading CSR performance.



## Chief Executive's Introduction

**Corporate Governance**

**Ethics**

**People**

**Community**

**EHS Management**

**EHS Performance**

**Johnson Matthey Products**

**Summary**

**Verification**

**Case Studies**

**Johnson Matthey Divisions**

**Catalysts**

**Precious Metals**

**Pharmaceutical Materials**

**Colours & Coatings**

## **Group priorities**

The Johnson Matthey business is founded on the excellence of its people, products and technology. Our products reduce emissions, improve efficiencies and address pressing environmental and social concerns.

Johnson Matthey is committed to operating in a manner that protects basic human rights, provides real opportunities for our employees, protects the environment and makes a positive contribution to the community. We embrace a culture of continuous improvement in all aspects of our business.

## **Johnson Matthey over the last year**

The past year has seen considerable progress in embedding social, ethical and environmental management into Johnson Matthey.

There has been significant progress in the implementation of ISO 14001 across the group. Now 45% of employees work at sites with ISO 14001 certification.

The past year has also seen initiatives to improve safety performance, communication with staff, information on people and community performance and improved risk management on corporate social responsibility.

## **Future plans and priorities**

Over the next year Johnson Matthey plans to improve the robustness of data on people and community issues. The initiative to improve safety is ongoing and the results will be monitored carefully. We plan to introduce further improvements to environmental target setting.

We will report progress against all these objectives in the next Corporate Social Responsibility Review.

C R N Clark  
Chief Executive



Johnson Matthey

Chief Executive's Introduction

Corporate Governance

Ethics

People

Community

EHS Management

EHS Performance

Johnson Matthey Products

Summary

Verification

Case Studies

Johnson Matthey Divisions

Catalysts

Precious Metals

Pharmaceutical Materials

Colours & Coatings

## CORPORATE GOVERNANCE AND RISK MANAGEMENT

The company has applied all of the principles set out in section 1 of the Combined Code on Corporate Governance (the Code) relating to the structure and composition of the board, the remuneration of the directors, relations with shareholders and procedures for financial reporting, internal control and audit. The group was in compliance with the provisions of the Code throughout the year.

The board is responsible to the company's shareholders for the group's system of corporate governance, its strategic objectives and the stewardship of the company's resources and is ultimately responsible for social, environmental and ethical matters. The board met eight times in the year and delegates specific responsibilities to board committees.

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 Chief Executive's Committee.

The identification, assessment and management of environment and health and safety risks are standing items at the Chief Executive's Committee. Performance is monitored using monthly statistics and

detailed site audit reports. An annual review of environmental health and safety (EHS) performance is undertaken by the board.

Risks from employment and people issues are identified and assessed by the Chief Executive's Committee and reported through to the board.

Employment contracts, handbooks and policies specify acceptable business practices and the group's position on ethical issues. The Group Control Manual and security manuals provide further operational guidelines to reinforce these.

The Audit Committee reviews risks associated with corporate social responsibility on an annual basis and monitors performance through the annual control self-assessment process conducted by the internal audit function.

Further details of corporate governance at Johnson Matthey are provided in the Annual Report.

### Johnson Matthey Corporate Responsibility Priority Issues

- Ensuring a vibrant and profitable business
- Ability to attract and retain excellent staff
- Health and safety of employees
- Product safety
- Environmental protection
- Energy consumption



**Chief Executive's Introduction**

**Corporate Governance**

**Ethics**

**People**

**Community**

**EHS Management**

**EHS Performance**

**Johnson Matthey Products**

**Summary**

**Verification**

**Case Studies**

**Johnson Matthey Divisions**

**Catalysts**

**Precious Metals**

**Pharmaceutical Materials**

**Colours & Coatings**

## BUSINESS INTEGRITY AND ETHICAL POLICY STATEMENT

A reputation for integrity has been a cornerstone of Johnson Matthey's business since it was founded by Percival Norton Johnson 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.

We support the principles set out within the United Nations Universal Declaration of Human Rights and International Labour Organisation Core Conventions.

### Conformance

All employees have a duty to follow the principles set out in this 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 to the board.



## Chief Executive's Introduction

## Corporate Governance

## Ethics

## People

## Community

## EHS Management

## EHS Performance

## Johnson Matthey Products

## Summary

## Verification

## Case Studies

## Johnson Matthey Divisions

### Catalysts

### Precious Metals

### Pharmaceutical Materials

### Colours & Coatings

## International Business

The majority of Johnson Matthey operations are conducted in developed nations. However, in recent years a small number of 'at risk' countries have emerged as significant growth opportunities for our business. Whilst the protection of human rights and enhancement of labour conditions is largely the responsibility of governments and international bodies we recognise our responsibility to conduct our business so as to protect the rights of individuals. Whilst 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 when it is within our ability to influence matters.

## 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.

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

Over the past year the opportunities for integration of ethical issues into supplier assessment have been examined through the procurement process.

Over the next year it is planned to amend guidance to sites on supplier assessment to include ethical issues

[To see an example of integrity in action at Johnson Matthey click here](#)



**Chief Executive's Introduction**

**Corporate Governance**

**Ethics**

**People**

**Community**

**EHS Management**

**EHS Performance**

**Johnson Matthey Products**

**Summary**

**Verification**

**Case Studies**

**Johnson Matthey Divisions**

**Catalysts**

**Precious Metals**

**Pharmaceutical Materials**

**Colours & Coatings**

## PEOPLE MANAGEMENT SYSTEM

It is Johnson Matthey's people that have grown our business, matching innovation and a commitment to our customers with a determination to achieve the highest standards of environmental, health and safety practices.

People play a vital role in the future of our business. We are committed to recruiting high calibre employees and providing them with the information and training needed to perform at the highest standards. We encourage all employees to develop to their maximum potential.

## EMPLOYMENT POLICIES

### Equal Opportunities

It is the policy of the group to recruit, train and manage employees who meet the requirements of the job, regardless of gender, ethnic origin, age or religion. Employees who become disabled and disabled people are offered employment consistent with their capabilities.

### Training and Development of People

Johnson Matthey recognises the importance of recruiting the very highest calibre of employees, training them to achieve challenging standards in the performance of their jobs, and developing them to their maximum potential.

Our policy requires careful review of organisation structure, succession and the development of high potential people to meet our business goals. The Management Development and Remuneration Committee of the board takes a special interest in ensuring compliance with the Training and Development of People Policy.

### Training and Development of People Policy

- Ensure highest standards in the recruitment of staff.
- 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.

### Employee Relations and Communication

Johnson Matthey recognises the importance of effective employee communications. Information and comment is exchanged with employees through the company's in house magazine, regular news bulletins, presentations to staff and team briefings.



**Chief Executive's Introduction**

**Corporate Governance**

**Ethics**

**People**

**Community**

**EHS Management**

**EHS Performance**

**Johnson Matthey Products**

**Summary**

**Verification**

**Case Studies**

**Johnson Matthey Divisions**

**Catalysts**

**Precious Metals**

**Pharmaceutical Materials**

**Colours & Coatings**

## Implementation of Johnson Matthey Policies

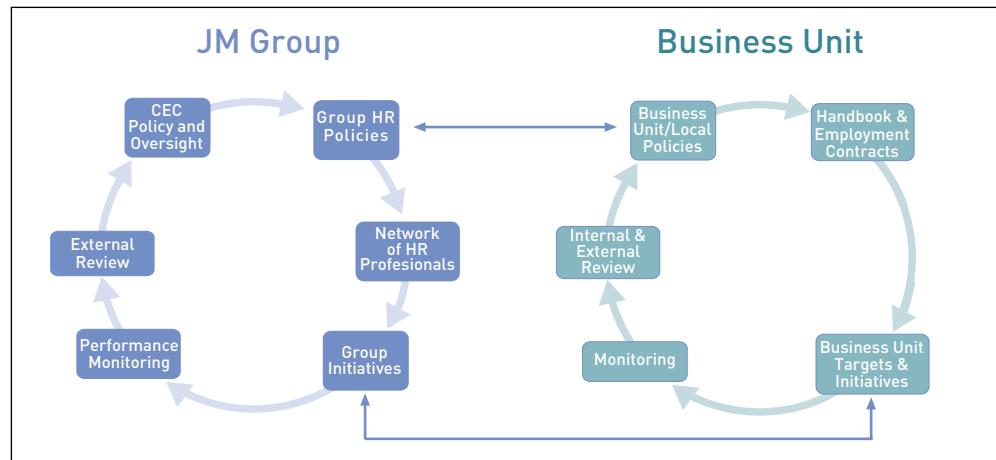
Johnson Matthey people policies are implemented through the corporate human resources standards which set requirements for operations throughout the group to follow. These standards are supported either by detailed regional procedures and/or business unit procedures. Policies reflect both regional best 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 (CEC). In addition to other matters, this committee is responsible for overseeing people issues across Johnson Matthey.

The Chief Executive is ultimately responsible for people issues and is supported by human resource professionals throughout the group. Day to day responsibility for people issues lies with line management who are tasked with ensuring employee well-being and that employees are developed and provided with information and routes to communicate any issues. These responsibilities are often embedded in job descriptions and performance objectives.

Training is provided as required to managers and supervisors. This includes topics on team work, human resources law, diversity and stress.

Regional networks of human resources professionals meet quarterly to discuss best practices, policies and human resource issues.





**Chief Executive's Introduction**

**Corporate Governance**

**Ethics**

**People**

**Community**

**EHS Management**

**EHS Performance**

**Johnson Matthey Products**

**Summary**

**Verification**

**Case Studies**

**Johnson Matthey Divisions**

**Catalysts**

**Precious Metals**

**Pharmaceutical Materials**

**Colours & Coatings**

The group whistleblowing procedures provide a route for issues and concerns to be raised within the company. Protection is ensured for workers making disclosures.

**Activities over the last year**

Over the last year group-wide data collection processes have been implemented to collect core information on Johnson Matthey people and human capital. Data collation processes have been assessed and the quality of the data examined with a view to publication of key data sets next year.

Improvements to employee communications have focused on strengthening the team brief processes used by Johnson Matthey sites to facilitate two way dialogue with employees. Activities have included updating the group guidance on team briefing, the roll-out of training materials and integration of the revised team briefs into routine site processes.

There have also been key initiatives at a number of Johnson Matthey sites. A particular focus of these activities has been the development of more flexible working arrangements.

**Employee relations**

Johnson Matthey is proud of the quality of relationships with its staff. The strength of these relationships is demonstrated by strong employee retention and by external assessments such as the Management Today ranking of 12th in the annual list of "Britain's Most Admired Companies."

Unfortunately over the last year there have been disputes with unions at two Johnson Matthey sites that have resulted in short strikes. Johnson Matthey has worked hard to resolve the issues raised and are confident that the strong relationships with staff have not been affected.

**Targets**

Targets and plans are set at a business unit level and reflect the specific objectives and issues faced by the business units. These may be supplemented by group initiatives.

Performance information relating to diversity and training will be presented in future reports.



**Chief Executive's Introduction**

**Corporate Governance**

**Ethics**

**People**

**Community**

**EHS Management**

**EHS Performance**

**Johnson Matthey Products**

**Summary**

**Verification**

**Case Studies**

**Johnson Matthey Divisions**

**Catalysts**

**Precious Metals**

**Pharmaceutical Materials**

**Colours & Coatings**

## STAKEHOLDER ENGAGEMENT

Johnson Matthey undertakes a wide range of engagement activities focused on communication with individuals and organisations who are impacted by Johnson Matthey operations or who may impact on the Johnson Matthey business.

At a corporate level Johnson Matthey holds relationships with a range of groups including:

- Shareholders and analysts
- Employees and employee representatives
- National governments and the European Union
- National and international trade associations for the industries in which Johnson Matthey operates
- Charities and not for profit organisations
- Regulatory enforcement agencies

At a divisional and business unit level there is engagement with organisations more directly aligned with the businesses:

- Customers
- Bodies examining issues addressed by Johnson Matthey products
- National trade associations

- Local governmental bodies and representatives
- Community groups
- Local charitable organisations
- Schools and universities

Meetings and discussions typically take the form of frank two way sharing of views. The views and issues raised are used by managers to feed back into decision making at Johnson Matthey.

Stakeholder engagement at Johnson Matthey is carried out throughout the year and is fully integrated into business decision making processes.

The group EHS management system sets the standard for community engagement by sites on environment, health and safety issues.

Over the past year a detailed survey of community engagement activity across the group has been carried out. It is planned that this review will be carried out on an annual basis and that more detailed community data will be presented in future reports.

**[For more information about Johnson Matthey advocacy on environmental issues please click here.](#)**

Diabetes  
UK



Chief Executive's  
Introduction

Corporate  
Governance

Ethics

People

**Community**

EHS  
Management

EHS  
Performance

Johnson Matthey  
Products

Summary

Verification

Case Studies

Johnson Matthey  
Divisions

Catalysts

Precious Metals

Pharmaceutical  
Materials

Colours & Coatings

## CHARITABLE PROGRAMMES

Johnson Matthey's long history of support for charitable causes is matched today through programmes at both a group and a business unit level.

The Johnson Matthey corporate charitable giving programme is administered by the charity committee. The Corporate Communications Manager coordinates the programme on a day to day basis.

An annual report of charitable activities is made to the Chief Executive's Committee. The causes supported are aligned to issues to which the Johnson Matthey business makes a contribution and issues on which employees are passionate. Employee views are considered when deciding on the group Charity of the Year Programme.

In the financial year to 31 March 2004 Johnson Matthey donated £313,000 to charitable organisations. These figures

only include donations made by Johnson Matthey and do not include payroll giving, donations made by staff or employee time. The company made no political donations in the year.

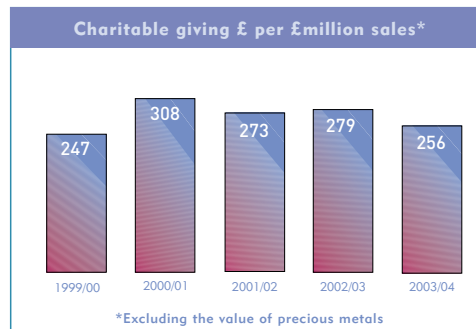
[For information about the 2003/04 charity of the year programme with Diabetes UK click here.](#)

### Targets

Plans and targets for community activities are integrated into standard business planning procedures both at corporate level and at sites. This includes budgeting for community and charity activities and responses to specific engagement activities.

More detailed performance information on community engagement by sites will be presented in future reports.

[For details of community engagement at Johnson Matthey Fuel Cells in Swindon click here.](#)





**Chief Executive's Introduction**

**Corporate Governance**

**Ethics**

**People**

**Community**

**EHS Management**

**EHS Performance**

**Johnson Matthey Products**

**Summary**

**Verification**

**Case Studies**

**Johnson Matthey Divisions**

**Catalysts**

**Precious Metals**

**Pharmaceutical Materials**

**Colours & Coatings**

## ENVIRONMENT, HEALTH AND SAFETY MANAGEMENT

The board is ultimately responsible to shareholders for the group's corporate governance, strategic objectives and the stewardship of the company's resources. Board responsibility for EHS rests with the Chief Executive. The group Director of Environment, Health and Safety is responsible for the function and reports to the Chief Executive. The board undertakes a formal review of EHS performance annually. The identification, assessment and management of EHS risks are standing items at the Chief Executive's Committee. Performance is monitored using monthly information on significant events, health and safety statistics and detailed site audit reports.

The Audit Committee considers risks associated with EHS and monitors performance through the group control self-assessment process administered by group Internal Audit. Ultimately EHS performance is dependent upon leadership from the top, accountability at divisional level

and with line management and individuals taking a responsible attitude to their own health and safety performance at work.

Johnson Matthey is committed to managing these activities to provide the highest level of protection to the environment and to safeguard the health and safety of employees, customers and the community. Assessing and controlling the risks through professional management also minimises the financial implications for the company, thus helping to protect shareholder interests. Certain risks are insured, but this is no substitute for sound management of the function.

Our EHS Management System provides guiding principles to ensure high standards are achieved at all sites around the world. It also promotes continuous improvement based on careful risk assessment. The corporate policy statement, widely disseminated within the business, is signed by the Chief Executive and fully endorsed by the board.



## Chief Executive's Introduction

## Corporate Governance

## Ethics

## People

## Community

## EHS Management

## EHS Performance

## Johnson Matthey Products

## Summary

## Verification

## Case Studies

## Johnson Matthey Divisions

### Catalysts

### Precious Metals

### Pharmaceutical Materials

### Colours & Coatings

## ENVIRONMENT, HEALTH AND SAFETY POLICY STATEMENT

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 Environment, Health and Safety 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 the highest standards of health, safety, environmental protection 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 place 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 and 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 are designed and operated to the latest standards so as 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 internal audits of operations, and review performance to ensure continuous improvement in EHS management.

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



**Chief Executive's Introduction**

**Corporate Governance**

**Ethics**

**People**

**Community**

**EHS Management**

**EHS Performance**

**Johnson Matthey Products**

**Summary**

**Verification**

**Case Studies**

**Johnson Matthey Divisions**

**Catalysts**

**Precious Metals**

**Pharmaceutical Materials**

**Colours & Coatings**

## Group EHS Management System

Stemming directly from the corporate objectives and policies, the blueprint for practical implementation is provided through the group EHS management system manual. This sets out the detailed policies and guidance necessary to translate corporate policies into practical requirements and measures within the operations.

Where there are risks of a specific nature common to a number of our operations detailed guidance is provided. The manual provides an important framework for those managing our operations who are required to formulate site specific policies and procedures to meet the demands of specific risks associated with local manufacturing operations and conditions.

The group EHS management system is applied worldwide and sets standards of performance which are beyond legal requirements. These standards are reviewed regularly to ensure that they reflect best practice. Implementation of the management system also drives continuous improvement, which has implications for risk and cost reduction.

Improving resource efficiency in terms of utilities, raw materials and production efficiencies are key policy requirements. Requirements for new investment in plant and equipment are also included since this is an ideal means of designing-out problems. HAZOP studies are carried out during

design of new plant.

The group EHS management system manual has been disseminated widely and is also available on the company intranet. Site-specific EHS policies and procedures are communicated to all employees during induction and at intervals as dictated by job and other training requirements. Policies and operating procedures are available in the local language at sites.

The corporate objectives, policies and group EHS management system define accountability and set the standards against which conformance audits are assessed.

## EHS Compliance Audits

EHS compliance audits are an integral part of the company's EHS management system. 69 facilities from across our operations in Europe, the Americas, Asia and Australia are included in the audit programme. All Johnson Matthey operated manufacturing and research and development facilities are included in the audit programme. 30 audits were carried out in 2003 (23 in 2000, 32 in 2001 and 32 in 2002). Formal exit interviews with local site management are a feature of the audits, as is routine follow up of outstanding issues. Group EHS audits are led by fully qualified corporate staff who are supplemented by EHS professionals from our operations. This makes best use of valuable resource and promotes the sharing of best practice between sites.

Audits review conformance with the group



## Chief Executive's Introduction

## Corporate Governance

## Ethics

## People

## Community

## EHS Management

## EHS Performance

## Johnson Matthey Products

## Summary

## Verification

## Case Studies

## Johnson Matthey Divisions

### Catalysts

### Precious Metals

### Pharmaceutical Materials

### Colours & Coatings

EHS management system and compliance with national legislation. The audit frequency for each site is determined by the scale, inherent risk and past performance of the operation.

The Group Occupational Physician visits Johnson Matthey sites to evaluate the content, performance and standards of occupational health and hygiene programmes, where applicable. This also includes monitoring the nature and quality of services provided by external occupational health providers supporting local sites

The group EHS management system also requires sites to implement their own local EHS audit and inspection programmes. Typically these programmes are managed by site staff although external consultants are engaged as required. The quality of the programmes is reviewed during group EHS audits.

### ISO 14001 Certification for Environmental Management Systems

Over the past year good progress has been made towards ISO 14001 certification. This progress has been led by the Environmental Catalysts and Technologies business where a programme to certify the entire business has been initiated. At present 16 sites are certified to the standard with a further two sites in the final stages of assessment. 45% of our employees work at sites with ISO 14001, representing some 3,554 people. These best practice management systems, with the

discipline of external certification, provide one of the drivers for continual improvement both operationally and as a means of improving resource efficiency, reducing costs and environmental impact.

[For more information on the ISO 14001 programme at Environmental Catalysts and Technologies click here.](#)

### Responsible Care

Much of the Johnson Matthey business operates in the chemicals sector. In the UK we have been active in the Chemical Industries Association (CIA) Responsible Care initiative. Responsible Care is a commitment to continuously improving EHS performance and open communication of activities and achievements. It includes employee involvement, product stewardship and annual reporting to the CIA.

Over the past year Johnson Matthey has engaged with the CIA on the development of the CIA Sustainable Development strategy.

### EHS Management Targets

Over the next year it is planned to complete a comprehensive review of the group EHS management system and include detailed guidance on a number of new safety issues.

In the 2004 calendar year it is planned to carry out 30 audits. This includes sites from all divisions and all Johnson Matthey regions.

The Environmental Catalysts and Technologies business plans to complete implementation of ISO/TS16949:2002 at all sites by the end of 2004.

Chief Executive's  
Introduction

Corporate  
Governance

Ethics

People

Community

EHS  
Management

EHS  
Performance

Johnson Matthey  
Products

Summary

Verification

Case Studies

Johnson Matthey  
Divisions

Catalysts

Precious Metals

Pharmaceutical  
Materials

Colours & Coatings

## HEALTH AND SAFETY PERFORMANCE

Over the past year there has been a reduction in the incidence of greater than 3 day accidents at Johnson Matthey from 11.99 to 9.22 per 1,000 employees. Unfortunately during the same period there was a rise in the number of days lost per 1,000 employees from 220 to 306.

The group's greater than 3 day accident rate is below the average UK rate for the industrial sectors in which Johnson Matthey operates as reported by the UK Health and Safety Executive (9.22 verses 13.4 >3 day accidents per 1,000 employees).

Accidents are actively monitored and detailed statistics are compiled monthly.

In 2003 there was a serious accident at our Brimsdown facility in the UK, when an employee was injured during a furnace tapping operation. This incident resulted in changes to operating procedures at the Brimsdown site.

There was a fire at the West Deptford site in the US. Due to the rapid reaction of staff and the site emergency team there were no injuries to Johnson Matthey employees and there was no impact on Johnson Matthey customers.

These incidents have resulted in a major group-wide review of health and safety. This review examined ways to increase the rate of improvement of health and safety across

Johnson Matthey and reduce the incidence of dangerous occurrences.

As a result of this review a number of actions have been instigated:

- Site health and safety planning has been improved.
- Specific training on the application of process hazard assessment in Johnson Matthey operations will be rolled out across the group.
- Reporting on near misses will be improved.

[For more information on the Johnson Matthey response to the West Deptford fire click here.](#)

### Occupational Health

The primary objective of Johnson Matthey's occupational health programme is to identify health risks at an early stage to avoid long term health effects. Our production sites have occupational health surveillance programmes overseen by the Group Occupational Physician. Larger sites have their own health centres staffed by qualified occupational health nurses and physicians.

Johnson Matthey does not carry out any medical screening of employees that could be considered discriminatory e.g. pregnancy, HIV or genetic screening.

[For details of Bitrex® a Johnson Matthey product that helps protect the health of children in the home, click here.](#)

Chief Executive's Introduction

Corporate Governance

Ethics

People

Community

EHS Management

EHS Performance

Johnson Matthey Products

Summary

Verification

Case Studies

Johnson Matthey Divisions

Catalysts

Precious Metals

Pharmaceutical Materials

Colours & Coatings

## Stress

Stress can be induced by many factors both within and outside the workplace. In many cases specialist help may be required and the company provides third party counselling services to employees available through local HR departments.

## Life Threatening Diseases – HIV/Aids

There are a number of locations where the threat from life threatening diseases is high, including HIV/Aids. Johnson Matthey has undertaken an assessment of the implications for the company's operations in Germiston, South Africa, where 530 people are employed. Revised policies have been introduced to ensure 'best practice' in managing life threatening diseases in the workplace. This includes a programme of education and awareness. All employees at Germiston are required to join Johnson Matthey's health insurance plan that provides cover for HIV/Aids and related anti-retroviral drug therapy. Half the cost of the insurance plan is paid for by Johnson Matthey.

## Health and Safety Targets

Johnson Matthey has adopted the UK Health and Safety Commission's *Revitalising Health and Safety* targets on working days and major injuries:

- 1 Reduction of working days lost by 15% by 2004 and by 30% by 2010.
- 2 Reduction in the incidence rate of major injuries by 5% by 2004 and 10% by 2010.

The following table shows group performance in working days lost against our proposed targets. The working days lost per 1,000 employees for the year ending 31 March 2000 have been taken as the baseline.

Year	1999/00	2000/01	2001/02	2002/03	2003/04	2009/10
Target		404	388	372	356	294
Actual Performance	419	337	319	220	306	

Over the last year there has been an increase in working days lost per 1,000 employees. This is a result of serious incidents that affected two individuals in the Process Catalysts and Technologies business and a number of long term injuries in the Environmental Catalysts and Technologies business.

The following table shows group performance in terms of major injuries per 1,000 employees. Major injuries are considered to be all injuries which lose more than three working days.

Year	1999/00	2000/01	2001/02	2002/03	2003/04	2009/10
Target		19.4	19.1	18.9	18.6	17.6
Actual Performance	19.6	12.8	12.0	12.0	9.2	

Johnson Matthey's performance is ahead of targets for the UK Health and Safety Commission's *Revitalising Health and Safety* 2004 milestone.

Chief Executive's Introduction

Corporate Governance

Ethics

People

Community

EHS Management

**EHS Performance**

Johnson Matthey Products

Summary

Verification

Case Studies

Johnson Matthey Divisions

Catalysts

Precious Metals

Pharmaceutical Materials

Colours & Coatings

## ENVIRONMENTAL PERFORMANCE

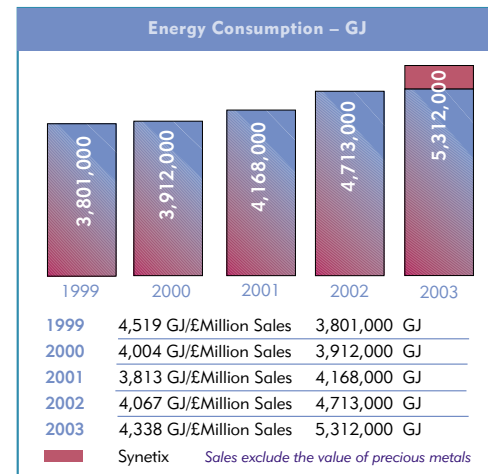
Johnson Matthey undertakes a comprehensive annual review of group environmental performance. This review covers all manufacturing and research and development facilities. The data is reported for the calendar year.

On an equivalent basis, over the last year, key environmental emissions have reduced. For the first time the data now includes emissions due to the Synetix and other smaller acquisitions. This growth in the business has given rise to increases in emissions for the year. Plans are in place to return emissions to a downward trend. The contribution from the acquired businesses is indicated on the graphs.

**The group's key impacts are energy and water consumption and emissions to air.**

### Energy

The total energy demand at Johnson Matthey has risen to 5.3 million GJ in 2003 from 4.7 million GJ in 2002. Over the past year energy demand relative to sales has increased by 7%. The global energy bill is in excess of £29 million per year. Energy used for transportation is not considered material.



The increase in energy demand reflects the incorporation of acquisitions into Process Catalysts and Technologies businesses and the increases in production at a number of sites including the new Johnson Matthey Fuel Cells facility in Swindon. Energy demand has reduced in the Colours & Coatings and Environmental Catalysts and Technologies businesses.

**[For details of the use of combined heat and power at Johnson Matthey, click here.](#)**

Chief Executive's Introduction

Corporate Governance

Ethics

People

Community

EHS Management

EHS Performance

Johnson Matthey Products

Summary

Verification

Case Studies

Johnson Matthey Divisions

Catalysts

Precious Metals

Pharmaceutical Materials

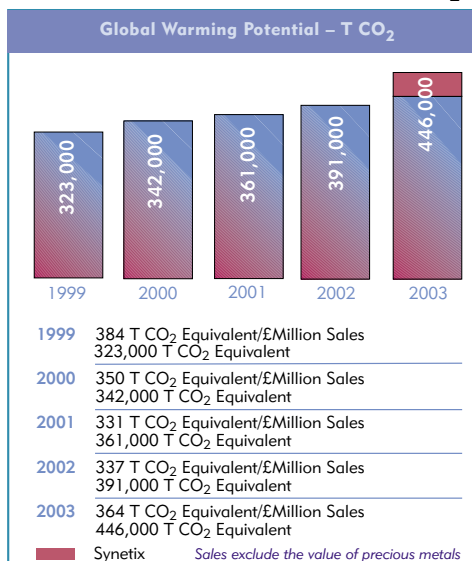
Colours & Coatings

## Greenhouse Gas Emissions

The most significant man-made sources of greenhouse gases are from the combustion of fossil fuels.

As part of the UK's Climate Change Programme Johnson Matthey has entered into a number of negotiated agreements administered through trade associations which undertake to reduce energy consumption. These agreements relate to processes regulated under the Integrated Pollution Control (IPC) provisions and allow an 80% discount on the Climate Change Levy.

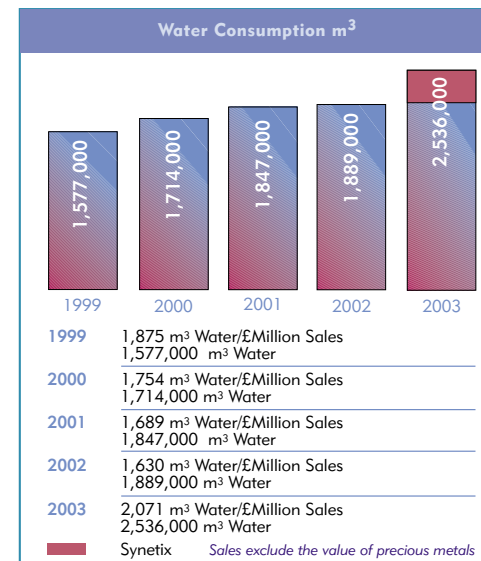
Johnson Matthey measures greenhouse gases from processes and energy use. Emissions are converted to Tonnes of CO<sub>2</sub>



equivalent. Emissions from transportation are not considered material. The total global warming potential (GWP) for the group was 446,000 T CO<sub>2</sub> equivalent in 2003. This was an increase of 14% from the previous year due mainly to the integration of the former Synetix businesses acquired from ICI in 2002. Whilst the total GWP has increased each year since 2001, GWP relative to sales is 5% below the 1999 level.

## Water use

Since 2002 there has been a 27% increase in water use relative to sales. Johnson Matthey now consumes 2.5 million cubic metres of water a year. The increase in water consumption over the last year is due to the



Chief Executive's Introduction

Corporate Governance

Ethics

People

Community

EHS Management

EHS Performance

Johnson Matthey Products

Summary

Verification

Case Studies

Johnson Matthey Divisions

Catalysts

Precious Metals

Pharmaceutical Materials

Colours & Coatings

integration of the acquired businesses into the Process Catalysts and Technologies operations where a number of the processes are more water intensive. Expenditure has been approved for a project that will significantly reduce the water consumption and effluent at the Clitheroe site over the next two years.

### Other Emissions to Air

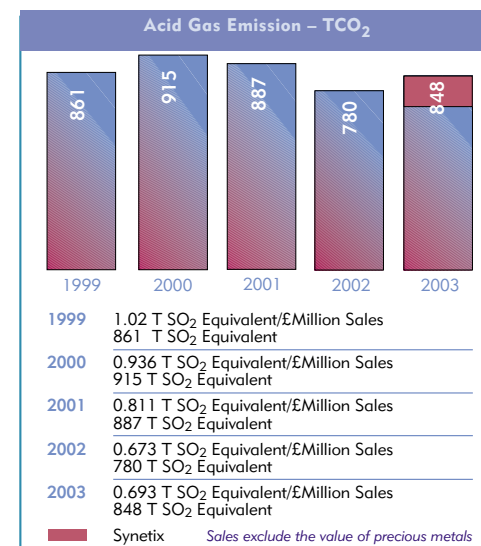
Emissions from Johnson Matthey operations are generated in a number of ways including from combustion processes, materials handling and chemical reactions. They are typically licensed by local regulations. Our sites monitor emissions to ensure compliance with these regulations and set target programmes aimed at reducing significant emissions. Over the last year increases in emissions reflect the significant growth of the group with the integration of acquired operations into Johnson Matthey's Process Catalysts and Technologies businesses.

[For details of how Johnson Matthey products have helped UK air quality, click here.](#)

### Acid Gases

Johnson Matthey's acid gas emissions have fallen in absolute terms over the last four years. Over the same period the emissions per unit sales dropped by 32%. Emissions are reducing through introduction of cleaner combustion processes, use of low sulphur fuels and by improving production processes. Over the last year there have been significant improvements to emissions from the Colours & Coatings businesses.

The total acid gas emissions at Johnson Matthey have been reduced to 1997 levels. Emissions included in acid gas figures are NO<sub>x</sub>, SO<sub>2</sub>, Cl<sub>2</sub>, HCl and NH<sub>3</sub>.



Chief Executive's Introduction

Corporate Governance

Ethics

People

Community

EHS Management

**EHS Performance**

Johnson Matthey Products

Summary

Verification

Case Studies

Johnson Matthey Divisions

Catalysts

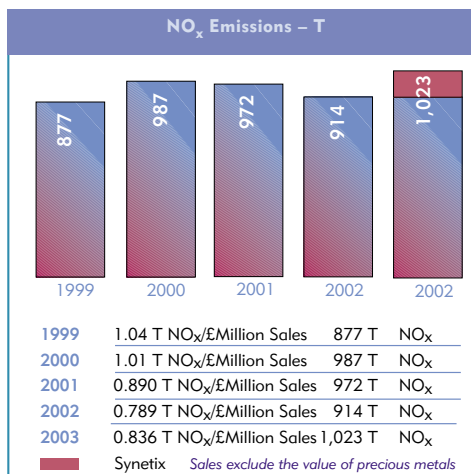
Precious Metals

Pharmaceutical Materials

Colours & Coatings

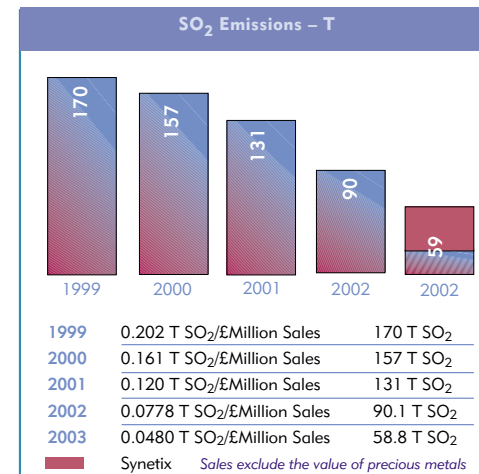
## Oxides of Nitrogen

Oxides of nitrogen, NO<sub>x</sub>, are produced by the combustion of gas or oils, or by chemical reaction. The group NO<sub>x</sub> emissions to air rose by 12% in the last year. Relative to sales, the emission rose by 5% over the same period. The increase is a result of the growth of the Process Catalysts and Technologies business.



## Sulphur Dioxide

The production of sulphur dioxide is mostly due to the combustion of oil. Over the last five years there has been a significant reduction in the emission of SO<sub>2</sub> due to the shift from oil to natural gas at Johnson Matthey facilities. The benefit has been greatest in countries such as India and Brazil where the available oil has a higher sulphur content.



Chief Executive's Introduction

Corporate Governance

Ethics

People

Community

EHS Management

EHS Performance

Johnson Matthey Products

Summary

Verification

Case Studies

Johnson Matthey Divisions

Catalysts

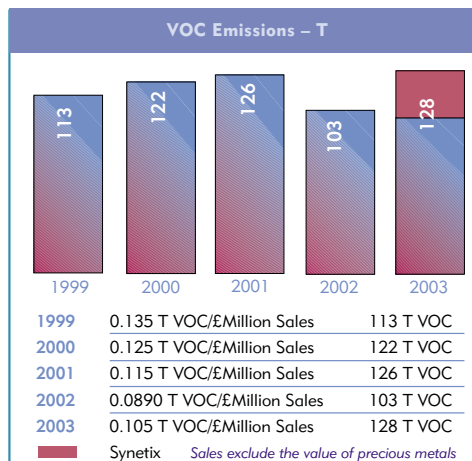
Precious Metals

Pharmaceutical Materials

Colours & Coatings

## Volatile Organic Compounds

Group emissions of volatile organic compounds (VOCs) increased over the last year due to the expansion of our Process Catalysts and Technologies business and growth in the Pharmaceutical Materials Division. Many of our other sites have successfully reduced solvent use year on year, including our Decorative Precious Metals business at Royston which has now eliminated trichloroethylene from its products.

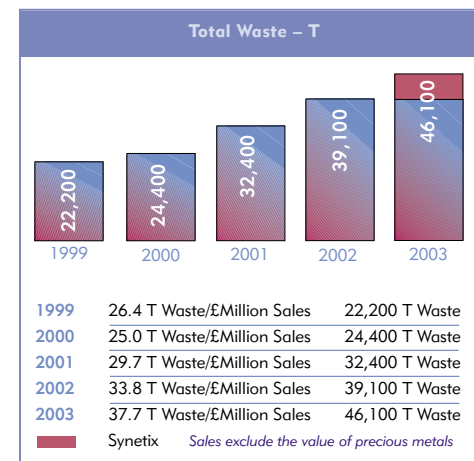


## Waste

Johnson Matthey strives to re-use or recycle all possible waste materials. Where this is not possible every effort is made to reduce waste.

The total waste generated rose to 46,100 T in 2003. Total waste has increased over the last five years, reflecting the growth of the business over the period.

The success of Johnson Matthey's approach to waste management can be seen in the reduction in hazardous chemical waste and the significant increase in waste sent for recovery. As well as the clear environmental benefits of this success there have been significant reductions in cost.



## Chief Executive's Introduction

## Corporate Governance

## Ethics

## People

## Community

## EHS Management

## EHS Performance

## Johnson Matthey Products

## Summary

## Verification

## Case Studies

## Johnson Matthey Divisions

Catalysts

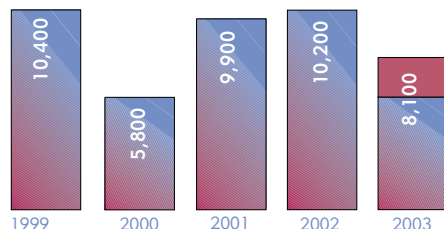
Precious Metals

Pharmaceutical Materials

Colours & Coatings

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### Hazardous Chemical Waste – T



1999	12.4 T Waste/£Million Sales	10,400 T Waste
2000	5.91 T Waste/£Million Sales	5,800 T Waste
2001	9.04 T Waste/£Million Sales	9,900 T Waste
2002	8.83 T Waste/£Million Sales	10,200 T Waste
2003	6.64 T Waste/£Million Sales	8,100 T Waste

■ Synetix Sales exclude the value of precious metals

[For details of a Johnson Matthey product that reduces precious metal waste, click here.](#)

### Regulatory Performance

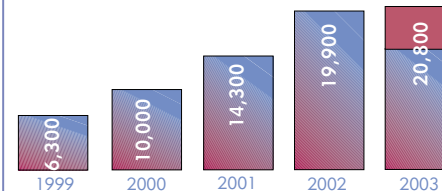
Johnson Matthey had no prosecutions by Health and Safety or Environmental Authorities in the 2003/04 financial year.

### Environmental Targets

Johnson Matthey aims to continuously improve environmental performance.

Environmental targets are set at a site level covering issues relevant to the specific operation.

### Waste Recovery – T



1999	7.52 T Waste/£Million Sales	6,300 T Waste
2000	10.2 T Waste/£Million Sales	10,000 T Waste
2001	13.0 T Waste/£Million Sales	14,300 T Waste
2002	17.2 T Waste/£Million Sales	19,900 T Waste
2003	17.0 T Waste/£Million Sales	20,800 T Waste

■ Synetix Sales exclude the value of precious metals

There are a number of projects planned to commence at sites over the next year which will have significant environmental benefits. These vary from large capital expenditure projects to behavioural programmes. Of particular note is a project which will reduce water consumption at the Clitheroe site.

In the UK a number of operations have entered into climate change agreements through their trade associations which require targeted reduction in greenhouse gas emissions.

Over the next year we plan to set a number of environmental targets at a divisional level. These will be reported in the next CSR Review.

Chief Executive's  
Introduction

Corporate  
Governance

Ethics

People

Community

EHS  
Management

EHS  
Performance

Johnson Matthey  
Products

Summary

Verification

Case Studies

Johnson Matthey  
Divisions

Catalysts

Precious Metals

Pharmaceutical  
Materials

Colours & Coatings

## UPDATE ON REGULATORY IMPACT

### REACH regulations

It is anticipated that within the next two years the European scheme for the registration, evaluation and authorisation of chemicals (REACH) will be adopted into European law.

Johnson Matthey is closely monitoring the development of the REACH proposals to assess the impact on the Johnson Matthey business.

There are considerable uncertainties regarding the details of the REACH regime. The final form of the legislation is still subject to further consultation and the EU parliamentary process.

Johnson Matthey products are speciality chemicals that often contain precious metals and volumes are typically lower than those produced by other chemical manufacturers. This provides some relief under the REACH regime since testing requirements are based on tonnage volumes.

The Johnson Matthey review of the impact of REACH on operations indicates that the impact spread over a 12 year implementation period would not represent a material cost to Johnson Matthey.

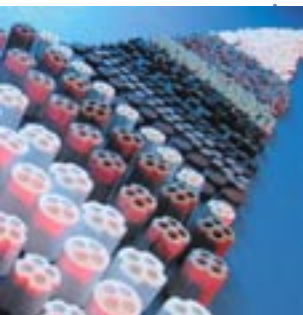
Johnson Matthey has played a leading role in the industry response to the EU proposals. This has included chairing trade

association steering committees on REACH and enabling the development of consortia to share the costs of testing and to minimise animal testing requirements (see page 26).

### European Emission Trading Directive

Johnson Matthey is closely monitoring the implementation of the EU Emissions trading directive and has assessed the impacts on the business. In the UK the scheme is likely to include the Royston operation and may encompass the Clitheroe operation if a combined heat and power plant is installed. The scheme may also include our European frit manufacturing facilities.

Through clean development mechanisms (CDM) and joint implementation (JI) projects we believe that there may be business opportunities for developing emission reduction projects through partnerships since Johnson Matthey has core competencies in emission reduction technologies.



**Chief Executive's Introduction**

**Corporate Governance**

**Ethics**

**People**

**Community**

**EHS Management**

**EHS Performance**

**Johnson Matthey Products**

**Summary**

**Verification**

**Case Studies**

**Johnson Matthey Divisions**

**Catalysts**

**Precious Metals**

**Pharmaceutical Materials**

**Colours & Coatings**

## PRODUCT SAFETY

The safety of Johnson Matthey products is a top priority. Johnson Matthey operates in heavily regulated industries and to high standards of product safety which are critical to maintaining licence to operate.

The group EHS management system incorporates product safety requirements for business units. Assessing the implementation of these requirements is a core component of the group EHS audits.

Products undergo rigorous quality testing to reduce the risk of product defects.

Product safety is overseen by expert staff at business units. They use specialist or custom designed systems to categorise and label products and to provide information on the precautions required for safe use by customers. The introduction of new products is also governed by safety procedures which include preparation of Material Safety Data Sheets (MSDS).

Business units in the Pharmaceutical Materials Division are subjected to rigorous audits of business unit activities and systems as part of the licensing process.

A network of product safety experts meets regularly to discuss best practices and any issues across the group.

Johnson Matthey is working closely with a number of organisations to improve chemical safety. The company has closely monitored the development of the EU chemical strategy and the REACH system. We have been working to ensure that the proposed regulation minimises both the impact of chemicals on health and the environment and the cost and regulatory burden placed on industry.

### Animal Testing

In common with all companies developing new substances and bringing them to market, Johnson Matthey is required by UK, European and international legislation to make toxicity data available.

As a company we fully support the work being undertaken to provide alternative in vitro techniques for testing. However, it is clear that the science is not available to provide a complete alternative to in vivo testing at the present time.

We always attempt to limit testing by undertaking collaborative work with competitors, suppliers, customers and trade associations where primary data is unavailable from the historical literature.

Chief Executive's Introduction

Corporate Governance

Ethics

People

Community

EHS Management

EHS Performance

**Johnson Matthey Products**

Summary

Verification

Case Studies

Johnson Matthey Divisions

Catalysts

Precious Metals

Pharmaceutical Materials

Colours & Coatings



## Product impact

One of the strengths of the Johnson Matthey group is that the vast majority of its products address an environmental or social need. This is a direct result of Johnson Matthey's expertise in the application of precious metals and catalyst technology. Typically these technologies and materials

have applications in reducing emissions and improving the efficiency of industrial processes.

Johnson Matthey has actively targeted markets for products with environmental and social benefits since they provide very positive long term growth opportunities and may be supported by regulation.

## Examples of Johnson Matthey products

Division	Key products	Product impacts
<b>Catalysts</b>	<a href="#"><i>Stationary source emission control</i></a>	Reduction of emissions from industrial plants
	<a href="#"><i>Heavy duty diesel</i></a>	Reduction of emissions from diesel vehicle exhausts
	<a href="#"><i>Automotive catalysts</i></a>	Reduction of vehicle exhaust emissions
	<a href="#"><i>Homogeneous catalysts</i></a>	Improved process efficiency, reduced resource consumption
	<a href="#"><i>Heterogeneous catalysts</i></a>	Reduction in the need to extract and recover primary ores
	<a href="#"><i>Precious metal recovery</i></a>	Use at the heart of the fuel cell a clean technology for energy generation
	<a href="#"><i>Fuel cell – MEAs</i></a>	
<b>Pharmaceutical Materials</b>	<a href="#"><i>Opiates</i></a>	Drugs used for the relief of chronic pain
	<a href="#"><i>Bitrex™</i></a>	Substance used to prevent accidental consumption of harmful substances by children
	<a href="#"><i>Platinum based anticancer drugs</i></a>	Drugs used in chemotherapy for the treatment of cancer
<b>Precious Metals</b>	<a href="#"><i>Iridium-based spark plug alloys</i></a>	Improved firing efficiency and lifetime of spark plugs
	<a href="#"><i>Stents</i></a>	Uses in cardio-vascular applications
	<a href="#"><i>Marker bands</i></a>	Devices which are radiopaque for use in medical applications
<b>Colours &amp; Coatings</b>	<a href="#"><i>Lead free frits</i></a>	Frits and glazes for the glass industry which do not use lead
	<a href="#"><i>Decals</i></a>	Artwork used for the decoration of ceramic materials

	Performance Summary	2001/02	2002/03	2003/04
<b>Chief Executive's Introduction</b>	<b>Financial (£m)</b>		<i>Restated</i>	
<b>Corporate Governance</b>	Total sales	4,830	4,324	4,493
<b>Ethics</b>	Total sales excluding precious metals	1,093	1,159	1,224
<b>People</b>	Operating profit before exceptional items and goodwill amortisation	193	189	206
<b>Community</b>	Dividends	53.2	55.5	57.4
<b>EHS Management</b>	R&D investment	44.6	50.1	54.5
<b>EHS Performance</b>	Total wages	187.5	209.1	214.3
<b>Johnson Matthey Products</b>	Taxation	50.2	53.7	57.9
<b>Summary</b>	<b>Environment Health and Safety</b>			
<b>Verification</b>	<i>Greenhouse gases</i>			
<b>Case Studies</b>	CO <sub>2</sub> equivalents (tonnes)	361,000	391,000	446,000
	Index (tonnes/£m sales excluding precious metals)	331	337	364
	<i>Energy</i>			
	GJ	4,168,000	4,713,000	5,312,000
	Index (GJ/£m sales excluding precious metals)	3,813	4,067	4,338
	<i>Acid Gases</i>			
	Total Acid Gas SO <sub>2</sub> equivalent (tonnes)	887	780	848
	Acid Gas Index (tonnes/£m sales excluding precious metals)	0.811	0.673	0.693
	<i>Waste</i>			
	Total waste generated (tonnes)	32,400	39,100	46,100
	Index (tonnes/£m sales excluding precious metals)	29.7	33.8	37.7
<b>Johnson Matthey Divisions</b>	<i>Health and Safety</i>			
<b>Catalysts</b>	> 3 day lost time accident incident rate per 1,000 employees	12.0	12.0	9.2
<b>Precious Metals</b>	<b>Social</b>			
<b>Pharmaceutical Materials</b>	<i>Community support (£)</i>			
<b>Colours &amp; Coatings</b>	Charitable donations	298,000	323,000	313,000

# Summary

## Cross mapping to the Global Reporting Initiative Guidelines

The development of this report has been based on the Global Reporting Initiative (GRI) guidelines. This table maps the report content to the GRI requirements.

### VISION AND STRATEGY

Statement of vision  
*Chief Executive's Introduction*  
*Environmental Health and Safety policy, Ethics policy*  
*Human Resources policies*  
 CEO Statement.  
*Chief Executive's Introduction*  
 Organisational profile  
*Annual Report – divisional reviews*  
*Johnson Matthey corporate website*  
*Our products*

### GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS

Governance Structure  
*Annual Report – Corporate Governance*  
*Corporate Governance*  
 EHS Management  
*People*  
*Ethics*  
*Community*

	Category	Aspect	Information reported	Location		
ECONOMIC	<b>Direct Economic Impacts</b>	Customers	+	<a href="#">Annual Report</a>		
		Suppliers	+	<a href="#">Ethics</a>		
		Employees	+	<a href="#">Annual Report</a> <a href="#">People</a>		
		Providers of capital	+	<a href="#">Annual Report</a>		
		Public sector	+	<a href="#">Community</a>		
ENVIRONMENTAL	<b>Environmental</b>	Materials	+	<a href="#">Waste</a>		
		Energy	✓	<a href="#">Energy</a>		
		Water	✓	<a href="#">Water</a>		
		Biodiversity	+	<a href="#">Biodiversity</a>		
		Emissions, effluents, and waste	✓	<a href="#">Waste and Emissions</a>		
		Suppliers	+	<a href="#">Ethics</a>		
		Products and services	+	<a href="#">Products</a> <a href="#">Case Studies</a>		
		Compliance	✓	<a href="#">Regulatory Compliance</a>		
		Transport	x			
		Overall	✓	<a href="#">Summary</a>		
		ENVIRONMENTAL	<b>Labour Practices and Decent Work</b>	Employment	+	<a href="#">People</a>
				Labour/management relations	+	<a href="#">People</a> <a href="#">Ethics</a>
				Health and safety	✓	<a href="#">Health and Safety</a>
				Training and education	+	<a href="#">People</a>
Diversity and opportunity	+			<a href="#">Diversity</a>		
ECONOMIC	<b>Human Rights</b>			Strategy and management	+	<a href="#">Ethics</a>
		Non-discrimination	✓	<a href="#">People</a>		
		Freedom of association and collective bargaining	+	<a href="#">Ethics</a>		
		Child labour	+	<a href="#">Ethics</a>		
		Forced and compulsory labour	x	<a href="#">Ethics</a>		
		Disciplinary practices	x			
		Security practices	x			
		Indigenous rights	x			
		ENVIRONMENTAL	<b>Society</b>	Community	+	<a href="#">Community</a>
				Bribery and corruption	+	<a href="#">Ethics</a>
Political contributions	✓			<a href="#">Annual Report</a>		
Competition and pricing	x					
ECONOMIC	<b>Product Responsibility</b>	Customer health and safety	+	<a href="#">Products</a>		
		Products and services	+	<a href="#">Products</a> <a href="#">Case Studies</a>		
		Advertising	x			
		Respect for privacy	x			

x No reporting    ✓ Full information provided    + Partial information provided

Chief Executive's Introduction

Corporate Governance

Ethics

People

Community

EHS Management

EHS Performance

Johnson Matthey Products

Summary

**Verification**

Case Studies

Johnson Matthey Divisions

Catalysts

Precious Metals

Pharmaceutical Materials

Colours & Coatings

## VERIFICATION

The board reviews CSR issues as part of its risk management process. The board believes that the measures taken to review the CSR information provide a suitable level of confidence without external audit.

Health and safety is reviewed by group health and safety experts and as part of the group EHS audit programme. Environmental data is reviewed by group environmental experts and as part of the group EHS audit programme. Information relating to charitable donations forms part of the external audit of Johnson Matthey's financial accounts.

Other information presented in the CSR review is reviewed by the relevant functional experts and subjected to the same internal sign off procedures as the group Annual Report.

Johnson Matthey utilises external specialists on specific CSR issues. Over the past year this has included external audits or reviews of people management systems, health and safety (ISO 18001) and environmental management systems (ISO 14001).

## CASE STUDIES CONTENTS

Chief Executive's Introduction

Corporate Governance

Ethics

People

Community

EHS Management

EHS Performance

Johnson Matthey Products

Summary

Verification

Case Studies

Johnson Matthey Divisions

Catalysts

Precious Metals

Pharmaceutical Materials

Colours & Coatings

Johnson Matthey Products

Johnson Matthey Operations

Ethics and Community

The Continuously Regenerating Trap (CRT®)

Fuel Cells

Precious metal recovery – Applying new technology to make improvements for the future (Smopex®)

Cisplatin and Carboplatin

Bitrex™

Medical devices

Platinum alloys for use in the glass industry

Lead free frits

Assessing the contribution of Johnson Matthey autocatalysts to clean air in the UK

Fuel cell buses hit the streets of London

30 years of autocatalysts

Johnson Matthey awarded the 2003 Entec Medal for Excellence in Safety and the Environment

Combined heat and power (CHP) at Royston

West Deptford fire response

Biodiversity

Energy management at Sonning

Environmental Catalysts and Technologies – Implementing ISO 14001 and OHSAS 18001

Ensuring integrity in assaying practices

Johnson Matthey Fuel Cells moves to Swindon – community engagement

Charity of the Year 2001/02 and 2002/03 – the NSPCC

Johnson Matthey South Africa – supporting education and opportunity

Advocacy for sustainable development

Diabetes UK – A year of support

The Johnson Matthey Catalyst Club

The Johnson Matthey Educational Trust

Chief Executive's  
Introduction

Corporate  
Governance

Ethics

People

Community

EHS  
Management

EHS  
Performance

Johnson Matthey  
Products

Summary

Verification

Case Studies

Johnson Matthey  
Divisions

Catalysts

Precious Metals

Pharmaceutical  
Materials

Colours & Coatings

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