



Modern Slavery and Human Trafficking Statement

Johnson Matthey Plc Financial Year
2019/20





Johnson Matthey Plc

Modern Slavery and Human Trafficking Statement for the financial year 2019/20 (Modern Slavery Statement)

This Modern Slavery Statement is made under Section 54 of the Modern Slavery Act 2015 and sets out the steps taken by Johnson Matthey Plc and its group companies¹ (**Johnson Matthey**) during the financial year 2019/20 to prevent modern slavery and human trafficking in its business and supply chains.

Introduction and key areas of focus in 2019/20

Modern slavery is a complex criminal activity operating through global supply chains and is an important issue for Johnson Matthey, our people, customers, suppliers and other stakeholders. In accordance with our values and commitment to upholding the highest ethical standards, we are committed to protecting those most susceptible and vulnerable to modern slavery and ensuring there is no modern slavery in our business or supply chains. This is Johnson Matthey's fifth Modern Slavery Statement. Johnson Matthey's previous Modern Slavery Statements are available on our website.

During the past year, we have continued to progress our programme to address modern slavery risk and increase supply chain accountability. In particular, we:

- created a more holistic approach to compliance risk assessment and mitigation, by developing our Doing Business in Higher Risk Jurisdictions Policy and accompanying due diligence programme. The policy strengthens our existing procedures and will apply to all business undertaken by Johnson Matthey in jurisdictions which we consider higher risk from an overarching compliance perspective, including those jurisdictions which pose a heightened risk of modern slavery and other human rights abuses;
- updated our Supplier Code of Conduct and continued to develop our enhanced supplier due diligence programme for procurement. As part of the programme, it is intended there will be a specific modern slavery risk lens, based on the jurisdiction and taxonomy of goods and services that may be high risk from a modern slavery perspective;
- progressed our responsible sourcing programme for prospective tier 1 suppliers of active materials that are used in our cathode materials for batteries, and engaged in industry wide partnerships to further our commitment to transparency in the battery materials supply chain; and
- published our Platinum and Palladium Supply Chain Policy Statement, which, amongst other commitments, sets out our commitment to not do business with suppliers engaged in modern slavery and other inhumane practices. The policy statement is accompanied by an enhanced risk assessment and due diligence procedure, which is targeted towards our platinum and palladium suppliers and refining customers.

Our structure, business and supply chains

Johnson Matthey is a global leader in sustainable technologies, using our cutting edge science to create solutions with our customers that make a positive difference to the world around us. Our science has

¹ This Modern Slavery Statement is made on behalf of Johnson Matthey Plc and its group companies (including, but not limited to, Johnson Matthey Davy Technologies Limited, Johnson Matthey Precious Metals Limited and Macfarlan Smith Limited).



a global impact in areas that include low emission transport, pharmaceuticals, chemical processing and making the most efficient use of the planet's natural resources.

We have five values that guide how we operate at Johnson Matthey and shape the right culture to achieve our strategy: protecting the people and planet, owning what we do, innovating and improving, working together and acting with integrity.

We have a significant global presence in over 30 countries with annual sales (excluding precious metals) in the 2019/20 financial year of £4.2 billion. Today, more than 15,000 Johnson Matthey professionals collaborate with our network of customers and partners to make a real difference to the world around us. Johnson Matthey spent £199 million on research and development during 2019/20. Our global operations are organised into four sectors: Clean Air, Efficient Natural Resources, Health and New Markets.

We meet our customers' needs from our 41 major manufacturing sites across all regions (14 in Europe, 11 in North America, five in China, six in the rest of Asia and five in the rest of the world). Due to the diverse nature of our manufactured products and markets served, Johnson Matthey has a complex and geographically broad range of suppliers of raw materials, goods and services into our business. Our supply chains are multi-tiered. Some of our strategic raw materials are available from only a limited number of countries.

Policies

As reported in our previous Modern Slavery Statements, we have several group policies that reinforce our commitment to protecting human rights and reiterate our focus on the elimination of modern slavery and human trafficking within our business and supply chains.

One of the main ways we promote an ethical culture at Johnson Matthey is through our global **Code of Ethics, 'Doing the Right Thing'**, <https://matthey.com/en/about-us/governance/code-of-ethics> which is central to the way we act as an organisation. Our code underpins our values and strategy. It sets out our collective and individual commitment to conducting business the right way, following all relevant laws, regulations and industry requirements, and adhering to a high standard of ethics and responsibility. The code contains a section on human rights and a section on the integrity of our supply chains. Following its refresh in December 2018, the code places greater emphasis on Johnson Matthey's commitment to tackling modern slavery and reinforces our employees' responsibility for raising concerns regarding modern slavery in any part of Johnson Matthey or its supply chains.

Our **Supplier Code of Conduct** covers the standards Johnson Matthey expects from its suppliers relating to human rights (including specific modern slavery and human trafficking prohibitions) labour practices, health and safety, environmental sustainability and business ethics <https://matthey.com/en/enhancing-life/sustainability-governance>

The supplier code is targeted at all suppliers that do business with Johnson Matthey. Suppliers are required to cascade the principles in the supplier code to their sub-suppliers. The supplier code supports our Ethical and Sustainable Procurement Policy.

During this year we undertook a review of our supplier code to ensure it aligns with our company values, refreshed code of ethics (which places greater focus on human rights and the integrity of our supply chains) and new legislative requirements. We plan to launch this revised supplier code during FY 2020/2021 and, with it, our enhanced supplier due diligence programme for procurement.



Our **Ethical and Sustainable Procurement Policy** states our commitment to upholding international guidelines and principles, including addressing modern slavery risks and respecting human rights. Our Ethical and Sustainable Procurement Policy is available via our website:

<https://matthey.com/en/enhancing-life/sustainability-governance>

Within Johnson Matthey we promote a '**speak up**' culture encouraging everyone to speak up when they have a concern or are unsure about something. We also provide employees and third parties with an independently run speak up helpline (accessed online or via telephone) where concerns can be raised. This helpline allows individuals, where local law permits, to remain anonymous. During 2019/20, 123 speak ups were received and investigated, which is in line with the industry norm for volume in similarly sized organisations. We view the total number of speak ups as a positive reflection of peoples' confidence in the process.

This year we published our **Johnson Matthey Platinum and Palladium Supply Chain Policy Statement** and we developed our **Doing Business in Higher Risk Jurisdictions Policy**. Both policies are discussed in detail below.

Creating a holistic approach to risk management

Modern slavery is a complex criminal activity that is continually evolving. Our approach to tackling modern slavery and other human rights violations is also evolving. We understand that human rights violations and financial crimes, such as bribery and money laundering, are not mutually exclusive and in many cases co-exist. We therefore recognise that a more holistic approach to compliance risk identification and management should be taken to strengthen our existing procedures. We have achieved this by developing our **Doing Business in Higher Risk Jurisdictions Policy** during the financial year.

Doing Business in Higher Risk Jurisdictions Policy

The policy is designed to enhance our existing procedures and was internally approved by Johnson Matthey's Policy Committee during the financial year. It was internally launched following the end of the financial year, in April 2020.

The policy will apply to all business undertaken by Johnson Matthey in jurisdictions which we consider higher risk from a combined compliance perspective, including where jurisdictions are subject to international sanctions or particular export controls, have a reputation for widespread bribery and corruption, have a reputation for facilitating financial crime, and/or pose a heightened risk of modern slavery or human rights abuses.

The policy determines which jurisdictions Johnson Matthey considers the risk of doing business as being too significant as well as setting out the minimum standards of due diligence required (including modern slavery considerations) to satisfy ourselves that we are comfortable with the levels of non-financial risk attached to any relationship or transaction in any of the higher risk jurisdictions.

Procurement

As mentioned in previous Modern Slavery Statements, linked to our procurement strategy has been the creation of a working group whose aim it is to implement an enhanced global supplier due diligence programme. The working group consists of individuals across numerous functions, including Procurement, Sustainability, Group Legal, Group Ethics and Compliance, Corporate Assurance and Risk and Finance.



The working group continued to develop the enhanced due diligence programme throughout the year. As part of the programme, it is intended there will be a specific modern slavery risk lens, based on the jurisdiction and taxonomy of goods and services that may be high risk from a modern slavery perspective. It is also anticipated that the programme will align with our Doing Business in Higher Risk Jurisdictions Policy. The working group will continue developing the programme during next year.

Focusing on critical materials in our supply chain

Responsible sourcing is a key pillar of our Procurement Excellence programme and one of our sustainable business goals to 2025. This is how we seek to understand and manage our environmental and social impacts in our value chain and work to improve sustainable and ethical business practices among our supplier partners. Below we set out risk identification, due diligence and mitigation for critical materials in our supply chain.

Battery Materials

We are committed to using only raw materials that have been ethically sourced in our battery cathode material products. At present, the Democratic Republic of Congo (**DRC**) holds about 50% of the global reserves of cobalt and although there are some mining companies which are operating ethically in the country, there is a significant amount of illegal artisanal mining in uncontrolled conditions, leading to serious human rights abuses.

In 2018 we partnered with third party advisers, RCS Global Ltd, to develop and implement a world leading responsible sourcing programme which ensures that we have full transparency 'back to mine' for all our raw materials that contain lithium, cobalt and nickel.

Our bespoke responsible sourcing programme conforms to the standard in the Organization for Economic Co-operation and Development Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (third edition) (**OECD DDG**) and provides assurance against the standards in our Supplier Code of Conduct. The programme consists of self-assessment questionnaires, due diligence and on-site audits by RCS Global Ltd, completed to the ISO 19011 standard.

During the year, several prospective tier 1 suppliers of cobalt and nickel for our eLNO portfolio of battery materials went through our responsible sourcing programme as part of our pre-qualification process. Certain prospective tier 1 suppliers were identified as having indicators of modern slavery. The issues were identified, appropriately investigated and remedial action was taken. A more detailed description of this process is set out in the case study below. This case study demonstrates that our responsible sourcing programme is working effectively to identify signs of modern slavery and we are proactively mitigating these risks, when presented.

Towards the end of the year we engaged RCS Global Ltd to expand our responsible resourcing programme to apply to all raw material and packaging suppliers for our Battery Materials business. We will collaborate with RCS Global Ltd to better understand the specific risk areas for other raw materials and packaging. It is intended that a risk framework and due diligence programme for all our raw materials and packaging will be developed throughout the next financial year. We are also developing our responsible sourcing policy to accompany the broader responsible sourcing programme.

To further our commitment to transparency in the battery materials supply chain, during the year we:

- joined the Global Battery Alliance (**GBA**), which is the global platform to help establish and collaborate on a sustainable battery value chain; and



- joined the Cobalt Institute, which is a non-profit trade association which promotes the sustainable and responsible production and use of cobalt in all its forms.

Together with 41 other global organisations in the GBA, we agreed ten guiding principles for a sustainable battery value chain by 2030. One of the guiding principles is immediately and urgently eliminating child and forced labour, strengthening communities and respecting the human rights of those affected by the value chain. During next year we intend to ensure this GBA guiding principle is adequately addressed in our responsible sourcing programme.

In 2019, the Cobalt Institute published the Cobalt Industry Responsible Assessment Framework (**CIRAF**), which allows participants to demonstrate that they are aligned with global good practice on responsible production and sourcing. During next year, we will align our corporate reporting framework and policies with CIRAF.

During next year we intend for our responsible sourcing programme to be independently audited to ensure that it meets OECD DDG and industry standards.

Battery Materials case study

During the year, several prospective tier 1 suppliers of cobalt and nickel for our eLNO portfolio of battery materials went through our responsible sourcing programme as part of our pre-qualification process. Certain prospective tier 1 suppliers were identified through self-assessment questionnaires as having indicators of modern slavery in relation to their migrant workers. These indicators were investigated and confirmed during worker interviews, as part of the on-site audit process. The indicators included document retention and limitations on accessing full salary payments. These indicators were raised by Johnson Matthey and corrective actions were put in place and evidenced within a short timescale by the prospective tier 1 suppliers.

Johnson Matthey intends to follow-up with on-site audits during the next financial year to independently verify the corrective actions and to ensure these are sufficiently robust to remove potential risks. Johnson Matthey must be satisfied that the potential risks have been removed for the prospective tier 1 suppliers to pass our pre-qualification process.

We are committed to providing protection for those who are more vulnerable and susceptible to modern slavery, such as migrant workers, and we seek to proactively manage risks which have been identified as part of our responsible sourcing programme.

Platinum and palladium

Responsible sourcing, trading, processing and movement of platinum and palladium are integral to Johnson Matthey's vision and we are committed to doing business in line with the OECD DDG and the Responsible Platinum and Palladium Guidance (**RPPG**), issued by the London Platinum and Palladium Market (**LPPM**). Johnson Matthey Plc and Johnson Matthey Inc are accredited as good delivery refiners on the LPPM and we have implemented the RPPG for all material handled through our UK and US refineries.

This year we implemented the **Johnson Matthey Platinum and Palladium Supply Chain Policy Statement**. The policy statement sets out, amongst other commitments, that Johnson Matthey will not do business with suppliers that benefit from, contribute to or assist with any forms of torture, cruel or degrading treatment, forced or compulsory labour, child labour, other gross human rights violations such as widespread sexual violence, or war crimes or other violations of international humanitarian law.



To ensure compliance with the commitments in our policy statement and the RPPG, we have strengthened our existing procedures and implemented an enhanced risk assessment and due diligence procedure which applies to all our platinum and palladium suppliers and refinery customers. Compliance risk identification and management align with our Doing Business in Higher Risk Jurisdictions Policy. Modern slavery considerations form part of the due diligence process for those suppliers or refinery customers that have been identified as being medium and high risk.

The policy statement <https://matthey.com/en/enhancing-life/sustainability-governance> and accompanying risk assessment and due diligence procedure will be targeted to our platinum and palladium suppliers and refinery customers.

Training and awareness

In April 2019 we retrained our employees on our refreshed Code of Ethics, which places greater emphasis on Johnson Matthey's commitment to tackling modern slavery and reinforces our employees' responsibility for raising concerns regarding modern slavery in any part of Johnson Matthey or its supply chains. All employees are required to undergo Code of Ethic training every year, which reinforces key principles and takes a deeper dive into select topics on a rotating basis. Employees also are required to complete the code acknowledgement each year, which confirms they will adhere fully to the commitments in the code. We regularly review our training and communications materials and methods for delivery to ensure they remain relevant to the risks our business face.

During 2019/20, we provided more resources in our internal modern slavery resources centre to build awareness regarding how to identify indicators of modern slavery and human trafficking and what to do if these indicators are identified. These resources are for the benefit of all Johnson Matthey employees.

We intend on developing and providing certain parts of our business with broader human rights training during the next year, which will include raising awareness of modern slavery and human trafficking.

Our intent

COVID-19 has brought unprecedented challenges to the world and Johnson Matthey. We understand that groups vulnerable and susceptible to modern slavery and human trafficking are more likely to be adversely affected by the pandemic. Additionally, we recognise there may be heightened risks within our own business and supply chains due to the additional financial pressures that people and businesses may suffer due to the impact of COVID-19. Our priority remains the health and safety of our people, customers, suppliers and communities where we operate, and this includes our continued commitment to ensuring there is no modern slavery in our businesses or supply chains. We will continue to progress our programme to address modern slavery risk and increase supply chain accountability.

This Modern Slavery Statement was approved by the Board of Directors on 23 July 2020 and signed by Robert MacLeod, Chief Executive.

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Robert MacLeod, Chief Executive