

CORPORATE SOCIAL RESPONSIBILITY

JOHNSON MATTHEY MAKES A
SIGNIFICANT CONTRIBUTION TO
SUSTAINABLE DEVELOPMENT through the
application of its leading science and technology, the
ingenuity of its people and the generation of profits.

The board has always ensured that the group operates according to well established ethical, social and environmental policies. This year Johnson Matthey is publishing its first corporate social responsibility (CSR) review, which is presented here in summary. The full report, covering policies, environmental performance and our social and economic contribution to sustainable development, is available on our website at www.matthey.com.

The statements on corporate social responsibility disclosure follow the guidelines issued by the Association of British Insurers and the detailed analysis in the full report is based on the format recommended by the Global Reporting Initiative. As outlined in the Corporate Governance section on page 31 the board has embedded corporate social responsibility into its risk management process. Corporate social responsibility is championed at the highest level at Johnson Matthey and the board has reviewed and fully endorsed the CSR review.

Many of our products have a particularly positive social and environmental benefit. They range from anticancer compounds to our

autocatalyst technologies, which improve air quality around the world. In addition, our fuel cell products are poised to make a significant contribution to the generation of clean energy and security of supply. Whilst Johnson Matthey's main contribution to sustainable development will be through our products we also seek to contribute through the management of the business and in the quality of our manufacturing operations. Our expertise in processing precious metal materials provides us with a core competence in the conservation, reuse and recycling of natural resources, principles which are now applied throughout our business.

Johnson Matthey has a culture of continuous improvement in all aspects of performance. In this area improvement is driven through corporate policies, a comprehensive management system and the commitment of our staff. There are three key policy areas, which provide the framework for the management of corporate social responsibility – the Environment, Health and Safety policies, the Employment policies and the Business Integrity and Ethics policy.

ENVIRONMENT, HEALTH AND SAFETY

“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 (EHS) policies provide the guiding principles that help ensure high standards are achieved at our sites around the world whilst promoting continuous improvement based on careful risk assessment and comprehensive EHS management systems. These policies, summarised in the company's policy statement (see box on page 24) are regularly reviewed. Corporate policies provide a framework for all Johnson Matthey businesses to formulate site specific policies to meet local requirements.

Internal EHS audits are an integral part of Johnson Matthey's corporate EHS management system. 68 facilities from our operations worldwide are included in the audit programme. 87 audits have been carried out over the last three years, with 32 in 2002. Audit reports are reviewed by the Environment, Health and Safety Committee. Further site visits were made to oversee health surveillance programmes by the Group Occupational Physician.

Our investment in plant and equipment has continued over the last year. In addition to environmental improvements this enables us to design and operate processes that are inherently safer and more resource efficient than previous designs. Resource efficiency is second nature to managers in the business who are charged with the responsibility of handling materials and products of high intrinsic value, many of which are recyclable.

Environmental Management Systems

Our operating units are moving towards ISO 14001 certification. At present 11 sites are certified with a further six sites in the final stages of assessment. Some 2,300 people or 29% of our staff work at ISO 14001 locations. Over the past year four ISO 14001 certified sites have joined Johnson Matthey through the acquisition of Synetix, Clitheroe and Chilton in the UK and Oberhausen and Emmerich in Germany.

Training

Training is vital to ensuring continuous improvements in EHS performance. Over the past year staff of all grades have received training with a wide range of courses available to employees. Our major sites employ health and safety training specialists. Expert external trainers supplement in house capabilities where necessary.

Target Setting

One of the key aims of Johnson Matthey's EHS policy is to achieve continuous improvement in performance through target setting. Targets which have been set by our business units are reviewed on a group wide basis. Such targets typically include:

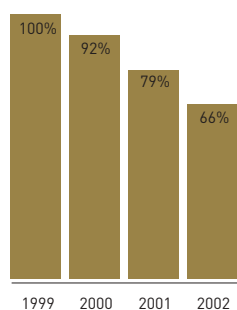
- Reductions in waste and emissions to air or water.
- Reduction in energy and commodity use.
- Training of employees in EHS issues.
- Undertaking inspection programmes.

Over the past year we have set corporate health and safety targets in line with the UK Health and Safety Executive (HSE) Revitalising Health and Safety initiative. We have adopted the following HSE targets with a baseline year of 2000 for our worldwide operations.

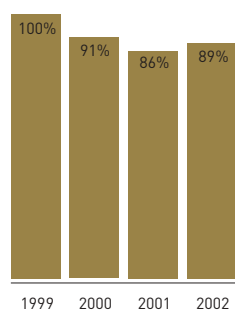
- 1 Reduction of working days lost by 15% by 2004 and by 30% by 2010.
- 2 Reduction in the incidence rate of major injuries by 5% by 2004 and 10% by 2010.

A group wide review of environmental performance is undertaken annually, focusing on our key impacts including global warming, waste generation and water consumption. The following graphs highlight our environmental performance indexed to turnover and our health and safety performance in absolute terms. Further details are provided in our full CSR review as published on our website.

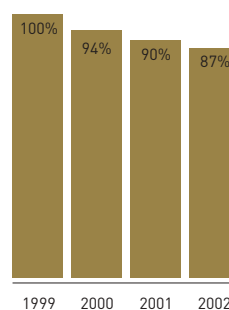
Total Acid Gas Emissions*



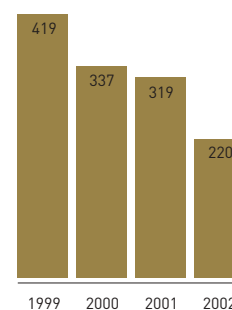
Total Global Warming Potential*



Total Water Supply*



Days Lost per 1,000 Employees



*Adjusted for sales 1999 = 100%

Supply Chain Issues

As shown in our Business Integrity and Ethics Policy Statement, we support the principles set out within the United Nations Universal Declaration of Human Rights and International Labour Organisation Core Conventions. 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.

Community Involvement

The CSR review gives examples of the way Johnson Matthey supports its local communities. In South Africa, for instance, we have provided support for underprivileged students at the University of Cape Town, through which at least nine students a year are given a bursary and also work experience at Johnson Matthey operations in the country. We have just concluded a successful charity of the year programme in support of the NSPCC. Johnson Matthey's charity of the year for 2003 is Diabetes UK. The company also supports many other charities locally and nationally. As noted in the Directors' Report, total charitable giving in 2002/03 was £323,000.

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. Johnson Matthey would utilise external specialists where specific CSR issues were identified.

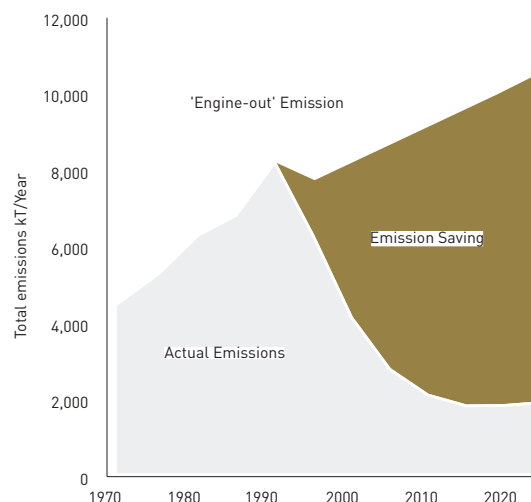
The Contribution of Johnson Matthey Autocatalysts to Clean Air in the UK

The growth in international markets for autocatalysts has been driven by efforts to legislate for cleaner air. Johnson Matthey has played a vital role in the improvement of air quality through the manufacture of autocatalysts for cleaning vehicle exhaust emissions from petrol and diesel fuelled cars and continuously regenerating traps (CRTs) for treating emissions from heavy duty diesel vehicles.

Johnson Matthey autocatalysts dramatically reduce emissions of carbon monoxide, oxides of nitrogen, volatile organic compounds and particulates from a wide range of road vehicles.

As part of our commitment to improving the environment Johnson Matthey is active in monitoring the impact of its products. A recent company study has shown that Johnson Matthey autocatalysts have saved millions of tonnes of pollutants from entering the environment. More details of this study are available in the corporate social responsibility report at www.matthey.com.

UK Emissions Savings due to Autocatalysts



CORPORATE SOCIAL RESPONSIBILITY

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 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.

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 Communications

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.

BUSINESS INTEGRITY AND ETHICS 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 or 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 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.

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.

AQUACAT™

A STEP CHANGE IN EFFICIENCY AND ENVIRONMENTAL IMPACT

Up to now the recovery of precious metals used as catalysts in chemical processes has involved the use of incineration. The new AquaCat™ technology being commissioned at Johnson Matthey's Brimsdown, UK facility uses a process based on supercritical water oxidation which provides many environmental and economic benefits.

Precious metals are used extensively in catalysts which improve the efficiency of a wide range of industrial chemical processes. The metals used, platinum, palladium and rhodium, represent a huge investment and the rapid and economical recovery of the metal from spent catalyst is a vital part of their use.

Typically spent process catalysts are contaminated with organic materials from the reaction mixture as well as the material used to support the catalyst, often carbon. These organic materials can be very hazardous and traditionally have to be removed before the exact quantity of metal present can be established.

The AquaCat™ process offers vast environmental improvements on incineration since it requires almost no external source of thermal energy, eliminates the need for expensive exhaust gas treatment, reduces the amount of physical handling of the material and makes containment easier.

Direct sampling of the customer material is the first stage of the AquaCat™ process. This means that the amount of metal is predetermined before any processing takes place.

Johnson Matthey has put great emphasis on ensuring the integrity of the new sampling process. We have consulted with customers to ensure that they are satisfied with the accuracy achieved and are comfortable that the new techniques do not compromise our commitment to ethical business conduct.

The AquaCat™ technology also allows processing equipment to be installed at customer sites. This may be particularly important to the pharmaceutical or petrochemical industries where the residue is either highly bioactive or high in volume making handling and transport difficult.

The AquaCat™ technology was developed in partnership between Johnson Matthey and Chematur Engineering AB.

After the completion of the commissioning process it is anticipated that AquaCat™ will make a major impact to the services provided by our Brimsdown site.

