

JOHNSON MATTHEY

Sustainability data 2017 and approach to stakeholders and materiality

Assurance statement and commentary

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Introduction

Johnson Matthey has commissioned Corporate Citizenship to provide assurance of its *Sustainability 2017 Key Performance Indicators* and an evaluation of its approach to stakeholders and materiality.

A summary assurance statement, related to KPIs, was provided in the Annual Report & Accounts 2017.

This statement presents our complete report to the management of Johnson Matthey, in two parts: our assurance of the Sustainability 2017 Key Performance Indicators using the International Standard on Assurance Engagement (ISAE) 3000; and our assurance and commentary on stakeholders and materiality using the AA1000 assurance standard. The statement also contains a description of the work we undertook and the processes followed in this assignment.

Part A: Independent assurance of Johnson Matthey Sustainability 2017 Key Performance Indicators: ISAE 3000 statement

Corporate Citizenship has undertaken limited assurance of Johnson Matthey's 2016/17 sustainability data, as described below:

Health and Safety	
Lost time injury and illness rate (LTIIR)	0.49
Total recordable injury and illness rate (TRIIR)	1.05
Occupational illness cases per 1,000 employees	1.00
Environment	
Energy Consumption (thousand GJ)	5,136
CO ₂ e (location method thousand tonnes)	509
Waste to landfill (tonnes)	24,575
Water withdrawal (thousand cubic meters)	2,643

The assurance covers data in the period from 1st April 2016 to 31st March 2017. The data relates to those business operations which are under Johnson Matthey's financial control.

Johnson Matthey is entirely and solely responsible for the production and publication of the data assured, Corporate Citizenship for its assurance.

Our work has involved reviewing selected sustainability claims and data reported in Johnson Matthey *Annual Report & Accounts 2017* (pages 14-15 and 48-69) and referenced above against the GRI Principles for Defining Report Quality. We assured the reported GHG emissions against the WRI/WBCSD GHG Corporate Accounting and Reporting Standard (Revised). This relates to direct GHG emissions from mobile and stationary fuel combustion sources, and fugitive emissions (in Scope 1), indirect GHG emissions from purchased electricity (in Scope 2) and emissions from electricity transmission and distribution (in Scope 3).

GHG quantification is subject to inherent uncertainty due to factors such as incomplete scientific knowledge about the global warming potential of different GHGs and uncertainty around the models and parameters used in estimating GHG emissions.

This engagement was performed in accordance with the International Standard on Assurance Engagement (ISAE) 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the relevant subject-matter specific ISAE for GHG data (ISAE 3410, Assurance Engagements on Greenhouse Gas Statements).

Corporate Citizenship has complied with the requirements for independence, professional ethics and quality control as stipulated by ISAE 3000. A full description of the work we have conducted and the processes followed appears at the end of this statement.

Assurance conclusion

Based on the scope of work and assurance procedures performed, nothing came to our attention that causes us to believe that the key performance data described above is not prepared, in all material respects, in accordance with the GRI Principles for Defining Report Quality and the WRI/WBCSD GHG Corporate Accounting and Reporting Standard (Revised).

Part B: Independent assurance of Johnson Matthey's approach to materiality and stakeholders: AA1000as statement

The assurance provides an independent assessment of the Johnson Matthey approach to stakeholders and materiality and, in particular, with how it corresponds with the AA1000 standard. It is intended for general as well as more specialist audiences who have a professional interest in Johnson Matthey's sustainability performance.

The subject matter assured is the approach adopted by Johnson Matthey to the identification of its material issues and to its engagement with stakeholders as part of its non-financial disclosures in the Johnson Matthey 2017 Annual Report and Accounts. This was compiled in accordance with Global Reporting Initiative G4 Sustainability Reporting Guidelines. We have had particular regard to the materiality assessment undertaken during FY 2015/16, the processes surrounding stakeholder engagement across Johnson Matthey's sustainability activities, the choice of indicators for its Sustainability 2017 programme and work conducted to prepare for the next phase of its sustainable business strategy, Sustainable Business 2025.

Johnson Matthey has chosen to use the AA1000 assurance standard AA1000AS (2008) as our reference standard.

Our assurance is a Type 2 assurance as defined by the standard, in that it evaluates the nature and extent of adherence to the AA1000AS principles of inclusivity, materiality and responsiveness and assures the performance of the organisation as reported. Our assurance used disclosed information as its starting point and then investigated the underlying systems, processes and sustainability performance information to arrive at its conclusions. The level of assurance is moderate, which means that we believe there to be sufficient evidence to support the statement such that the risk of the conclusion being in error is reduced.

Johnson Matthey is entirely and solely responsible for the approach reported, Corporate Citizenship for its assurance. As noted above, our assurance is confined to Johnson Matthey *Annual Report & Accounts 2017* (pages 14-15 and 48-69).

A detailed note of our assurance methodology appears at the end of this statement.

Assurance conclusion

In our opinion Johnson Matthey's approach to materiality and stakeholders as disclosed in Johnson Matthey *Annual Report & Accounts 2017* reflects the principles of AA1000 (2008): inclusivity, materiality and responsiveness. We give separate findings on each principle and make comments below.

As regards the specified performance information, our assurance conclusion is given above on page 2.

The level of assurance is that defined by AA1000as as moderate.

Findings and commentary

With regard to **inclusivity** – the principle that people should have a say in the decisions that matter to them – we find that this principle informed the devising of the *Sustainability 2017* programme and its subsequent implementation.

A properly inclusive process is applied throughout an organisation at group and local levels, identifies relevant stakeholders and engages them in developing and achieving a strategic response to sustainability.

For the *Sustainability 2017* programme, this is evidenced by contemporaneous documentation from stakeholder engagement at the outset. Johnson Matthey identified its stakeholders as including shareholders, fund managers, employees, customers, communities and national and international trade associations.

Two are worth highlighting.

The stated intention to assist the customers to themselves become more sustainable was ahead of its time in 2007. The percentage of sales with sustainability-related benefits has increased significantly over the last decade.

Concerning employees, a key objective is to integrate sustainability into business processes. In devising targets from 2008-09 on, all Johnson Matthey's businesses were required to include their plans for sustainability as part of the annual financial budgeting process. One important reported outcome of *Sustainability 2017*, highlighted by the chief executive, is the impact on culture, by embedding sustainability and engaging employees.

With regard to **materiality** – the principle that decision makers should be clear about the issues that matter – we find that this principle is being acted upon by Johnson Matthey.

The assessment of materiality draws on dialogue with a wide range of stakeholder groups, horizon scanning and identification of key trends that are likely to impact the company and its markets.

What is most material for an organisation evolves over time. The targets set for *Sustainability 2017* (the subject of this assurance process) were based on those issues judged material at that time.

More recently, Johnson Matthey used the GRI framework to create and then revise a formal materiality matrix, based on engagement both with key internal stakeholders and on understanding the needs and perceptions of external stakeholders including through engagement with key audiences: customers, investors and thought leaders.

Forward thinking about the sustainable business strategy through to 2025 is taking into consideration the salience of the UN Sustainable Development Goals for Johnson Matthey's business.

With regard to **responsiveness** – the principle that organisations should act transparently on material issues – we find that this principle is reflected in Johnson Matthey's actions in implementing its programme.

The continuing development of Johnson Matthey's sourcing policies provides an example of this principle in action through an iterative process that takes into account developing external standards. The company's *Modern Slavery Act* statement evidences this, as does the section on *Responsible Sourcing* in on pages 52-53. We also note Johnson Matthey's long-term and active participation in industry associations and initiatives.

Looking forward

This year's report covers the final year of the *Sustainability 2017* programme. Johnson Matthey is now finalising its revised sustainable business strategy through to 2025. In our view, the successor approach will be strengthened by aligning it explicitly with the corporate vision of "a world that's cleaner and healthier, today and for future generations". Also it can benefit by linking the new set of sustainability key performance indicators directly with those KPIs used to monitor the group's long and short term performance and reported in the *Annual Report & Accounts*.

When the new strategy is published, specific reference should be made to how stakeholder expectations have been addressed and the principles of inclusivity, materiality and responsiveness applied.

Assurance work performed

The assurance work was commissioned in March 2017 and was completed on 2 June 2017. Detailed records were kept of meetings, assurance visits and correspondence relating to the inclusivity, materiality and responsiveness of the report, as well as to technical matters relating to the accuracy and presentation of data. A team of three, led by a Director, undertook the assurance and commentary process. A second director acted as adviser to the group. The team has a variety of professional and technical competencies and experience. For further information please refer to our website www.corporate-citizenship.com.

Our external assurance and commentary process has involved, but not been limited to, the following elements:

1. Detailed interviews with employees responsible for the delivery of Johnson Matthey's sustainability performance. This was in order to understand the overall process of management and to discuss key trends and the process for collecting, validating and consolidating sustainability data.
2. Site visits to two plants, one in the United Kingdom and one in the United States, to observe operations and interrogate site-level data systems related to environmental, health and safety reporting.
3. Checks on a sample basis of consolidated data to underlying records to check for consistency and accuracy of reporting, along with reviews of the systems used to record and analyse sustainability performance data in order to assess robustness.
4. Review of GHG calculation method and emission factors used.
5. Review of group-wide data consolidation and reporting to check for errors or omissions in data analysis, consistency with underlying data sets and reasonableness of reporting.
6. A review of the previous assurance management report and of the consequential actions undertaken by Johnson Matthey.
7. A review of the documentation relating to the first Johnson Matthey materiality matrix and the processes undertaken to generate and assure it, together with a review of consideration being given to current revisions.
8. Benchmarking of key competitors' and peers' approach to and reporting of sustainability, along with a survey of media coverage of sustainability issues relating to competitors and peers.
9. A review of Johnson Matthey sustainability reporting since 2007, when the *Sustainability 2017* programme was devised.

Our work did not extend to a complete audit of the sustainability information contained in Johnson Matthey *Annual Report & Accounts 2017* (pages 14-15 and 48-69). We have not been responsible for the preparation of Johnson Matthey *Annual Report & Accounts 2017* nor in devising the internal management and reporting systems that yielded the data contained therein.

The opinions expressed in this external assurance statement and commentary are intended to extend understanding of Johnson Matthey's non-financial performance and should not be used or relied upon to form any judgments, or take any decisions, of a financial nature.

Corporate Citizenship is a specialist management consultancy, advising corporations that seek to improve their economic, social and environmental performance around the world and is a leading assessor of corporate responsibility and sustainability reports. This is the first year since 2012 that Corporate Citizenship has provided independent assurance services in relation to Johnson Matthey's sustainability reporting. We have provided no other services to Johnson Matthey during the period under review.

Corporate Citizenship Limited

London, 2 June 2017

