



Modern Slavery and Human Trafficking Statement 2017

PPG Industries (UK) Limited
Brown Brothers Distribution Limited
PPG Kansai Automotive Finishes UK LLP



Modern Slavery and Human Trafficking Statement 2017

Under the Modern Slavery Act 2015 ("**MSA**"), any company carrying on business in the UK which supplies goods or services and which has a total turnover of £36 million or more, is required to publish an annual statement describing the steps it has taken to ensure that there is no slavery or human trafficking in its own business, or its supply chains.

This annual statement relates to the actions and activities that **PPG Industries (UK) Limited**, **Brown Brothers Distribution Limited** and **PPG Kansai Automotive Finishes UK LLP** have taken during their financial year 1 January 2017 to 31 December 2017 (inclusive). This is a combined statement on the basis that **PPG Industries (UK) Limited** owns the entire issued share capital in **Brown Brothers Distribution Limited**; and a controlling interest in **PPG Kansai Automotive Finishes UK LLP**. It is also **PPG Industries UK Limited's** second statement (for and on behalf of itself and on behalf of **Brown Brothers Distribution Limited** and **PPG Kansai Automotive Finishes UK LLP**) published under the **MSA**.



1. PPG Industries (UK) Limited - legal structure and business operations

1.1 PPG Industries (UK) Limited is a UK company with manufacturing locations in Stowmarket and Shildon. It forms part of an international group of companies and joint ventures ("**PPG Group**") whose ultimate parent company is **PPG Industries, Inc** ("**PPG**") based in Pittsburgh, USA.

PPG Industries (UK) Limited encompasses the activities of four core business units:

1.1.1 Automotive Refinish business unit

This business unit has two manufacturing facilities in Stowmarket which manufacture finished paint (1st facility) and resin for finished paint production (2nd facility). The finished paint is automotive refinish coatings for cars, commercial transport and light industrial equipment and machinery to independent distributors, to larger direct end users and supplies to the PPG Europe, Middle East and Africa (EMEA) warehouse network where product is then sold to end users and distributors in multiple countries in EMEA and some globally to Asia, USA and Latin America. It also distributes its range of coatings via **Brown Brothers Distribution Limited's** captive distribution network in the UK. The 2nd facility producing resin supplies mainly to the finish paint facility in Stowmarket and the PPG Milan facility, while also supplying other PPG sites and a very small volume to customers.

1.1.2 Packaging Coatings business unit

The business unit sells coatings for the protection and decoration of metal packaging eg food and beverage cans etc. In 2017, sales order processing and order fulfilment transferred to Rubi, Spain. However, the business maintains local sales management, technical and technical service teams in the UK.

1.1.3 Aerospace Coatings business unit

This business unit has a manufacturing facility in Shildon which manufactures and sells transparencies, sealants, coatings, electrochromic window systems, surface solutions, packaging, and chemical management services.

1.1.4 Industrial Coatings business unit

This business unit has a small manufacturing facility in Shildon though the majority of its finished goods products are sourced **PPG Group** companies in Europe. The business unit sells industrial coatings for appliances, agricultural and construction equipment, consumer electronics, automotive parts and accessories, building products (including residential and commercial construction) and transportation vehicles.

1.2 Brown Brothers Distribution Limited - legal structure and business operations

Brown Brothers Distribution Limited is a wholly-owned subsidiary of **PPG Industries (UK) Limited**. It consists of a captive distribution network of 12 trading outlets in the UK. **Brown Brothers Distribution Limited** sells predominantly automotive refinish products. The bulk of these are purchased from **PPG Industries (UK) Limited's** automotive refinish plant in Stowmarket although it also sells a range of third-party goods which are consumables used in automotive refinish bodyshops (e.g abrasives, masking tapes/films, spray equipment). Around 50% of the refinish paint products purchased from Stowmarket are produced and supplied into Stowmarket by PPG Industries Italia in Milan.



1.3 PPG Kansai Automotive Finishes UK LLP – legal structure and business operations

PPG Kansai Automotive Finishes UK LLP is a UK limited liability partnership comprised of two limited companies: **PPG Industries (UK) Limited** (60% interest) and **Kansai Paint Europe Limited** (40% interest). **PPG Kansai Automotive Finishes UK LLP** sells automotive coatings which it sources from Kansai Paint Group and PPG Group. **PPG Kansai Automotive Finishes UK LLP** resells its products to Japanese automotive OEM customers having manufacturing plants in Europe and Russia.

2. PPG Industries (UK) Limited's supply chain (including that of Brown Brothers Distribution Limited and PPG Kansai Automotive Finishes UK LLP)

PPG Industries (UK) Limited's supply chain (including that of **Brown Brothers Distribution Limited** and **PPG Kansai Automotive Finishes UK LLP**) can be divided into the following categories of goods and services including:

- Raw materials (used to manufacture our products)
- Toll manufactured products (either PPG Affiliates or Third Parties).
- Goods for Re-sale (tools and equipment related to refinish bodyshops)
- Indirect goods and services
- Skilled and unskilled labour
- Marketing and logistics
- IT systems & solutions

3.2.2 Specific GSCC requirements

Forced or compulsory labour

Suppliers must:

- Prohibit all forms of forced or compulsory labour
- Maintain and promote fundamental human rights

3. PPG's corporate codes of conduct

3.1 Global Code of Ethics (“GCOE”)

3.1.1 Summary

PPG's GCOE outlines **PPG's** commitment to conduct business in an ethical manner that respects human rights. In particular, the **GCOE** requires compliance with all laws prohibiting forced, compulsory or child labour, human trafficking and employment discrimination.

3.1.2 Application

- All employees within the **PPG Group** are required to comply with the **GCOE**. In addition, all of the **PPG Group's** allocated employees are required to complete, on an annual basis, a **GCOE** online training course.
- The **GCOE** is also a key pillar of **PPG's Supplier Sustainability Policy** (for which see Section 6 below) with which all suppliers and contractors are expected to comply.

3.1.3 Responsibility

Ultimate responsibility for enforcement of the **GCOE** is **PPG's** Chief Compliance Officer.

3.1.4 Enforcement

PPG's Compliance department will investigate any violation of the **GCOE** by an employee and this may result in disciplinary action being taken by the relevant **PPG Group** Human Resources department up to and including dismissal (in accordance with the relevant Human Resources policy and local law).



Child labour

Suppliers must:

- Prohibit the use of child labour
- Adhere to the minimum employment age limit defined by national law or regulation
- Comply with relevant International Labour Organization (ILO) standards

Diversity and inclusion

Suppliers must:

- Promote a diverse workforce and provide a workplace free from discrimination, harassment or any other form of abuse
- Create a work environment in which employees and business partners feel valued and respected for their contributions

Health and safety

Suppliers must:

- Provide safe and healthy working conditions
- Proactively manage health and safety risks with the goal of providing an incident-free environment where occupational injuries and illnesses are prevented
- Implement management systems and controls that identify hazards and assess and control risk related to their specific industry

Freedom of association

Suppliers must:

- Respect employees' right to freedom of association and collective bargaining, consistent with local laws
- Respect employees' rights to join or refrain from joining associations and worker organizations

Wages, hours and benefits

Suppliers must:

- Treat employees fairly, including with respect to wages, working hours and benefits
- Comply with all applicable legal and regulatory requirements and apply sound employee relations practices

3.2 Global Supplier Code of Conduct (“GSCC”)

3.2.1 Summary

The **GSCC** is a key pillar of **PPG’s Supplier Sustainability Policy** (for which see Section 6 below). The **GSCC** imposes minimum compliance standards with respect to business integrity, labour practices, associated health and safety, and environmental management. It is intended to complement the **GCOE**. The **GSCC** covers a wide range of standards but those specific to this annual statement are set out in the table below.

3.2.3 Application

The **GSCC** applies to any persons providing goods and services to the **PPG Group** including suppliers and contractors.

3.2.4 Responsibility

Ultimate responsibility for enforcement of the **GSCC** is **PPG’s** Compliance and Supplier Development Team (“**CSDT**”).

3.2.5 Enforcement

The **CSDT** investigate any suspected violations of the **GSCC** by a supplier and stipulate any appropriate



actions that the supplier must take to remedy the breach. These will range from allowing the supplier to rectify the violation by corrective and preventative action to termination of applicable contracts and reporting the violation to the proper authorities (in cases where the supplier is involved in slavery and human trafficking).

4. Procedure for on-boarding a new supplier and Annual Supplier Ratings

4.1 Procedure for on-boarding a new supplier

The process of on-boarding a new supplier has two stages:

4.1.1 the supplier must sign up to the **GSCC**;

4.1.2 the **Global Supplier Management Team** ("**GSMT**") follows a supplier qualification checklist and completes a series of forms (including a New Supplier Qualification Form) as a result of which the supplier's credentials are assessed and vetted.

In 2017, the New Supplier Qualification Form was updated to include questions on child and forced labour; human rights violations; safety in work place violations; conflict mineral violations; supplier diversity.

4.2 Annual Supplier Ratings

At the end of each financial year, **PPG Group's** most significant suppliers (based on factors such as spend, sole supplier status etc) undergo a ratings assessment. The ratings are shared with the supplier and an action plan devised as necessary. The ratings are also used to determine which suppliers are to be the subject of an annual supplier audit.

4.3 Responsibility

The **GSMT** are responsible for the processes and procedures for on-boarding new suppliers.

5. Reporting policies

5.1 **PPG Group's** employees

Employees are required to report all suspected

violations of the **GCOE**, or the law to **PPG's** Ethics and Compliance Office. Several reporting options are offered including the **PPG** Ethics Helpline which is a confidential free phone and online reporting service maintained by a third party. Any retaliation – whether direct or indirect – against any employee who raises a good faith concern is grounds for discipline up to and including dismissal.

5.2 **PPG Group's** suppliers

Under the GSCC, suppliers are required to report suspected violations of the GSCC to the Vice President, Purchasing and Logistics, PPG's Ethics Helpline or PPG's Chief Compliance Officer immediately if a violation of the GSCC is ever in question. In the event that a supplier recognizes any non-compliant activity or violation of the GSCC, the supplier must provide a detailed corrective action plan to address such deficiency.

6. PPG's Supplier Sustainability Policy

PPG's commitment to human rights and eradicating slavery from its supply chain is closely aligned with its commitment and activities to make **PPG Group's** businesses more sustainable in terms of its compliance with applicable laws and adherence to internationally recognised environmental, social and corporate governance standards. In particular, **PPG** has committed to achieving five key Sustainability Goals by 2020. **PPG** acknowledges that its success in achieving these Goals will be dependent upon the full support of its global supplier base for which **PPG's** Global Sustainability Committee has issued its **Supplier Sustainability Policy**.

7. Training

All allocated employees are required to complete a **GCOE** annual online refresher training course which is accompanied by a test which they must pass in order to complete the training.

8. Mica

8.1 Mica mining

A portion of the pigments supplied by **PPG**



Group's pigment suppliers incorporate mica which is extracted from mines located in India. **PPG Industries (UK) Limited** uses pigments containing natural (as opposed to synthetic) mica in its formulations especially with respect to those relating to its automotive refinish and aerospace business units.

The **Terres des Hommes International Federation** highlighted in several of its published reports in 2016 that Indian mines were using child labour. **PPG Group** subsequently took steps to establish that none of **PPG Group's** pigment suppliers sourced mica from Indian mines that used child or any other forms of forced or compulsory labour.

The investigation led to **PPG Group** becoming, on 31 January 2017, a voting member of the **Responsible Mica Initiative** group. This is a Do-Tank which aims within the next five years to eradicate child labour and unacceptable working conditions in the Indian mica supply chain by joining forces across industries.

A kick off meeting for the Responsible Mica Initiative was held in September 2017 commencing the first phase of the initiative. Members of the initiative have collectively:

1. **Tracing:** ascertained that mica used in their products has been sourced from three particular mines in India;
2. **Labour standards:** agreed minimum labour standards to which members of the initiative expect those mines to adhere;
3. **Gap Analysis:** carried out audits of the mines in question to establish any areas in which they fall below the standards expected;
4. **Policies and SOP's:** developed policies and standard operating procedures which the mines will be required to implement to address the gaps identified.
5. **Meetings with Government:** made contact with relevant government officials in India with the aim of:
 - a. better understanding the mica sector and how standards can be raised in the mines;
 - b. improving standards in onward supply chains (including local processors/exporters/mine leaseholders and mica traders);

- c. creating a multi-stakeholder initiative to address broader issues in the mica sector.
- d. bridging the gap between mica traders and government to promote a constructive dialogue on the issues.

9. 2017 and 2018 initiatives

9.11 PPG remains committed to carrying out the audit plan set out in our first MSA Statement. There is to be a re-assessment in general of the timelines of the audit plan referred to in paragraph 11.1 of PPG Industries (UK) Limited's first MSA statement. In particular:

- until the work to be conducted by the Responsible Mica Initiative group (of which PPG Group is a member) as set out in paragraph 8.1 above has been completed, the audit for suppliers which mine mica has been postponed;
- by the end of Q2 2019, audits will have been finalised for those suppliers with low visibility of their own supply chains which either manufacture or process raw materials in the UK.

9.2 With reference to paragraph 11.2.2 of PPG Industries (UK) Limited's first MSA statement, in 2017 PPG's Global Commodity Managers in conjunction with the CSDT required certain suppliers of raw materials (including mines) and packaging to carry out a self-assessment which included an assessment of modern slavery risks. It is to be noted that this was a global survey rather than an assessment of UK-based suppliers. The results of this survey are being assessed to inform future actions in this area.

9.3 During 2018/2019 we propose to assess the ways in which the tools available when we audit suppliers with respect to modern slavery risks could be enhanced.

9.4 During 2018/2019 PPG Industries (UK) Limited, Brown Brothers Distribution Limited and PPG Kansai Automotive Finishes LLP aim to roll out modern slavery focused e-learning to their ranked from the most senior management to middle management/ mid-grade specialists with assigned email addresses. At the date of this report,



the number of such permanent employees is 264. This training will in particular increase understanding of what modern slavery is and its impact on individuals, help employees know the signs of modern slavery and raise awareness of what to do if they identify a risk of modern slavery occurring in PPG or its supply chains.

9.5 In 2018 PPG Industries (UK) Limited, Brown Brothers Distribution Limited and PPG Kansai Automotive Finishes LLP, with the assistance of specialist legal advisers, have reviewed their standard terms and conditions to assess the extent to which they mitigate the risks of modern slavery occurring in their supply chains. A conclusion of that review was that there was scope for improvement and it is now proposed that this will be addressed as part of a broader overhaul contractual terms.

Ongoing compliance with their obligations under the **MSA** remains on the agenda of the **PPG Industries (UK) Limited's** and **Brown Brothers Distribution Limited** respective boards of directors, and **PPG Kansai Automotive Finishes LLP's** management board.

This statement has been approved by the boards of directors of PPG Industries (UK) Limited and Brown Brothers Distribution Limited and by PPG Kansai Automotive Finishes LLP's management board.

Please click [HERE](#) for PPG Industries (UK) Limited's MSA statement for 2016



Charles Turner

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PPG Industries (UK) Limited**



David Heal

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**President of the Managing Board
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beautify the world™