

# Modern Slavery and Human Trafficking Statement 2019

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



# TISC for PPG Industries (UK) Ltd, Brown Brothers and PKAF

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 2019 to 31 December 2019 (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** fourth 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. Legal structure and business operations

## 1.1 PPG Industries (UK) Limited

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 refinish paint (1<sup>st</sup> facility) and resin for refinish paint production (2<sup>nd</sup> facility). The refinish 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 2<sup>nd</sup> facility producing resin supplies mainly to the refinish 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 supplies sealants, coatings, aircraft maintenance chemicals, transparent armour, transparencies, and application systems, serving original equipment manufacturers and maintenance providers for the commercial, military, regional jet and general aviation industries.

### 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.

### 1.1.5 Automotive OEM Coatings business unit

This business unit doesn’t have a manufacturing facility in the UK but instead sourced its finished goods products from PPG Group companies in Europe. The business unit sells automotive OEM coatings to automotive customers located in the UK.

## 1.2 Brown Brothers Distribution Limited

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

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
- Toll manufactured products
- Goods for resale (ancillary products including the component parts of external wall insulation systems and products such as brushes, thinners, white spirit)
- Indirect goods and services
- Skilled and unskilled labour
- Marketing and logistics

## 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).

## 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.

### 3.2.2 Specific GSCC requirements

<b>Forced or compulsory labour</b>	<b>Suppliers must:</b> <ul style="list-style-type: none"><li>• Prohibit all forms of forced or compulsory labour</li><li>• Maintain and promote fundamental human rights</li></ul>
<b>Child labour</b>	<b>Suppliers must:</b> <ul style="list-style-type: none"><li>• Prohibit the use of child labour</li><li>• Adhere to the minimum employment age limit defined by national law or regulation</li><li>• Comply with relevant International Labour Organization (ILO) standards</li></ul>
<b>Diversity and inclusion</b>	<b>Suppliers must:</b> <ul style="list-style-type: none"><li>• Promote a diverse workforce and provide a workplace free from discrimination, harassment or any other form of abuse</li><li>• Create a work environment in which employees and business partners feel valued and respected for their contributions</li></ul>
<b>Health and safety</b>	<b>Suppliers must:</b> <ul style="list-style-type: none"><li>• Provide safe and healthy working conditions</li><li>• Proactively manage health and safety risks with the goal of providing an incident-free environment where occupational injuries and illnesses are prevented</li><li>• Implement management systems and controls that identify hazards and assess and control risk related to the specific industry</li></ul>
<b>Freedom of association</b>	<b>Suppliers must:</b> <ul style="list-style-type: none"><li>• Respect employees' right to freedom of association and collective bargaining, consistent with local laws</li><li>• Respect employees' rights to join or refrain from joining associations and worker organisations</li></ul>
<b>Wages, hours and benefits</b>	<b>Suppliers must:</b> <ul style="list-style-type: none"><li>• Treat employees fairly, including with respect to wages, working hours and benefits</li><li>• Comply with all applicable legal and regulatory requirements and apply sound employee relations practices</li></ul>

### 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; Annual Supplier Ratings & Audits

### 4.1 Procedure for on-boarding a new supplier

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

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

**4.1.2** PPG Group's Procurement Function ("**PPG Procurement**") 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 workplace violations; conflict mineral violations; supplier diversity.

In 2018 we identified a need to carry out a review of our on-boarding process for new suppliers to enable us to gather information on a number of priority areas, including modern

slavery, as quickly as possible when engaging with a new supplier. The outcome of our review has led to the development of a new phased process for supplier on-boarding which was tested by PPG Procurement in a pilot scheme with several Tier 1 raw material suppliers to PPG Group's automotive business during 2019. The new process includes additional information being provided to suppliers at each stage, to ensure that they are properly informed about requirements under relevant legislation, including the MSA. We can confirm that PPG Procurement have completed that testing and the feedback indicates that our process gives new suppliers sufficient background context and information regarding MSA and its importance to PPG.

### 4.2 Annual Supplier Ratings

At the end of each financial year, PPG Group's most significant raw material and packaging suppliers located in EMEA (based on factors such as spend, sole supplier status etc) undergo a ratings assessment. The ratings is 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. We have referred to this activity in our three previous MSA statements. In each of those statements we can confirm that the scope of this activity has been limited in scope to only EMEA-based raw material and packaging suppliers.

### 4.3 Responsibility

PPG Procurement 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, Procurement, 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 **SUPPLIER SUSTAINABILITY - PPG - Paints, Coatings and Materials.**

## 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. In 2019, all allocated employees completed a modern slavery focused e-learning training course (see further details in paragraph 9.4 below).

## 8. Mica

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.

As a result of that investigation, PPG Group has taken a number of steps to assure for the responsible sourcing of mica. For example, the investigation led to PPG Group becoming, on 31 January 2017, a voting member of and a significant financial contributor to the **Responsible Mica Initiative** group (RMI) and is one of only two members from the Coatings industry to do so. RMI is working collaboratively with various stakeholders including several government agencies, civil society organizations, local mica businesses and sector experts. In particular, its discussions with Indian state representatives may lead to the development of a legal framework within which mines, processors and other intermediaries would be required to operate (e.g., setting minimum health and safety standards and prohibiting their use of any form of modern slavery, including child labor). The framework would also protect the rights of workers. PPG actively participates regularly in meetings of RMI and in determining the actions that the group undertakes.

PPG has also taken several actions to ensure that our major mica pigment suppliers are active members of RMI.

The following [link to RMI's Annual Report 2019](#) shows the actions that were taken and progress made by the group in 2019. Some key statistics that we can highlight from that report are: there are 80 villages participating in the group's empowerment programs which benefit 5890 households (about 30 000 people); more than 30% of out-of-school children are back to school (308/940); and 17% of targeted mica-dependent households now have improved sources of income through alternative means of livelihood.

## 9. Initiatives

**9.1** In paragraph 9.1 of our third MSA statement we confirmed our commitment to supplier audits but, for the reasons given in our statement, the timelines for these needed to be re-assessed. In particular we had stated that, until the work to be conducted by RMI had been completed, the audit for suppliers which mine mica would be postponed. As mentioned in our first MSA statement, there is a portion of PPG Group's suppliers whose pigments incorporate mica which is extracted from mines located in India. This still remains the case and, to clarify, PPG Group does not itself source any mica directly from Indian mines. Hence, PPG Procurement's future audits in this area will be limited to those of its pigment suppliers whose products contain Indian mica. However, such audits remain out of scope pending further progress by RMI.

**9.2** Also with reference to paragraph 9.1 of our third MSA statement, we can confirm that the mapping of our Tier 1 suppliers for raw materials, packaging, goods for resale and spare parts, was limited to PPG Procurement's assembly of a list by category and product. Given that the resultant list was extensive, PPG Procurement have focused their risk analysis to date on its raw material suppliers taking into account the level of automation involved in the process and the qualification requirements of employees. Based solely on these criteria, PPG Procurement has identified that (save for only a few exceptions) its raw material suppliers have highly automated production processes requiring qualified employees indicating a low risk of modern slavery. However, in 2020, PPG Procurement will revisit the list of raw materials and their suppliers:

**9.2.1** to add additional data fields including each supplier's manufacturing location;

**9.2.2** to extend the scope to raw materials and suppliers of PPG Group as a whole;

**9.2.3** to commence to identify the key constituent elements that go to form each raw material. Once such elements are identified, PPG Procurement will assess if these are high risk depending on the element in question and the location from which it is sourced.

**9.3** With reference to paragraph 9.2 of our third MSA statement, in October 2019, our global PPG Sustainability Questionnaire for Suppliers was extended to an additional 150 suppliers which account for 80% of spend on raw materials by PPG Group in EMEA. The questionnaire enables PPG Procurement to assess (amongst other issues) the risk of modern slavery through a range of questions eg requesting the supplier to identify and provide copies of any policies it has relating to the respecting of human rights, child labour and forced or compulsory labour. In 2020, PPG Procurement will analyse the results of the replies from these additional 150 suppliers. In addition, PPG Procurement will continue to work with a number of the suppliers surveyed in order to ensure they understand the terminology used.

**9.4** In paragraph 9.5 of our third MSA statement we had identified an aim to roll out modern slavery focused e-learning to those of its permanent employees ranked from the most senior management to middle management/ mid-grade specialists with assigned email addresses. We can confirm that this training was implemented and completed by all relevant employees in 2019.

**9.5** In 2018 PPG Industries (UK) Limited, Brown Brothers Distribution Limited and PPG Kansai Automotive Finishes UK 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 their supply chains. The relevant draft clauses have been prepared and are being used on a case by case basis pending the commencement of a project to overhaul our contractual terms.



Ongoing compliance with its obligations under the MSA remains on the agenda of the PPG Industries (UK) Limited's and Brown Brothers Distribution Limited board of directors.

**Annual Statement 2016**  
**Annual Statement 2017**  
**Annual Statement 2018**

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



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beautify the world™