

# Modern Slavery and Human Trafficking Statement 2018



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 2018 to 31 December 2018 (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 third 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

This 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 (1<sup>st</sup> facility) and resin for finished paint production (2<sup>nd</sup> 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 2<sup>nd</sup> 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 from 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

This company 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

This 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 resale (tools and equipment related to refinish bodyshops)
- Indirect goods and services
- Skilled and unskilled labour
- Marketing and logistics
- IT systems & solutions

### 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 stipulates 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** 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 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 is to be tested with pilot schemes during 2019. The new process will include additional information being provided to suppliers at each stage, to ensure that they are properly informed about requirements under relevant legislation, including the MSA.

### 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 is 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 recognises 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

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 – [see link](#).

The following link to the *Responsible Mica Initiative Group's Annual Report 2018* shows the actions that were taken by the group in 2018. In addition, the following [link](#) is to a webpage which records the concrete actions taken by the group to date.

## 9. Initiatives

**9.1** PPG remains committed to carrying out the supplier audits referred to in our first MSA Statement, subject to a re-assessment in general of the timelines referred to in paragraph 9.1 of PPG Industries (UK) Limited's first and second MSA statements (see links to 2017 and 2018 statements at the end of this report). In particular:

- until the work to be conducted by the Responsible Mica Initiative group (of which PPG Group is a member) has been completed, the audit for suppliers which mine mica has been postponed;

- we mapped out Tier 1 suppliers who provide us with raw materials, packaging, goods for resale and spare parts and initiated an analysis of those suppliers. This analysis takes into account the product type being supplied, the level of automation involved in the process and the qualification requirements of employees within each particular supplier;
- we remain committed to carrying out audits for those suppliers with low visibility of their own supply chains which either manufacture or process raw materials in the UK. However the review we have initiated, as outlined above, has identified that in the first instance we need to gain a deeper understanding of the methods and processes used by our suppliers, in order to ensure that the audits are undertaken in a meaningful and targeted way. We therefore intend to finalise this risk assessment process and use the results to inform the methodology for the supplier audits.

**9.2** With reference to paragraph 9.2.2 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. We are working with a number of the suppliers surveyed in order to ensure they understand the terminology used. The results of the survey have identified the need to introduce a new, phased approach to supplier on-boarding, as outlined at section 4 above. We have also identified the need to provide more information to suppliers (in particular global suppliers who might be less familiar with legislation such as the MSA) during our on-boarding process, including providing links to reliable information sources such as government websites.

**9.3** During 2019 we intend to test the new supplier on-boarding process with a limited number of pilot vendors.

**9.4** We continue to assess how the tools used for auditing suppliers with respect to modern slavery compliance can be enhanced. As noted above we have identified that we need to carry out a robust supplier risk assessment process in order to ensure that any audits carried out are meaningful and effective.

**9.5** In our 2018 statement PPG Industries (UK) Limited, Brown Brothers Distribution Limited and PPG Kansai Automotive Finishes UK LLP 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. 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. We have identified and purchased an appropriate e-learning and this will be rolled out by the end of 2019.

**9.6** 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. As a result of that review we have identified additional steps we can take to minimise modern slavery risks through our contractual terms. We are continuing to work with our legal advisers to put this into place as and when a project to overhaul our standard contractual terms commences.

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 and the Managing Board of PPG Kansai Automotive Finishes UK LLP.

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



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**David Heal**  
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