



Modern Slavery and Human Trafficking Statement 2016

PPG Architectural Coatings UK Limited



30 | 06 | 2017

Modern Slavery and Human Trafficking Statement 2016

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 Architectural Coatings UK Limited** has taken during its financial year 1 January 2016 to 31 December 2016 (inclusive). It is also **PPG Architectural Coatings UK Limited's** first statement published under the **MSA**.



1. PPG Architectural Coatings UK Limited's legal structure and business operations

PPG Architectural Coatings UK Limited is a UK company based in Birstall, West Yorkshire. 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 Architectural Coatings UK Limited manufactures and sells architectural coatings. It also sources and sells external wall insulation systems, render systems, performance coatings and goods for resale.

2. PPG Architectural Coatings UK Limited's supply chain

PPG Architectural Coatings UK Limited's supply chain can be divided into the following categories of goods and services:

- Raw materials (used to manufacture products)
- 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** (see link: <http://corporate.ppg.com/Our-Company/Ethics.aspx>) 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.

3.2.2 Specific **GSCC** requirements

Forced or compulsory labour Suppliers must:

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

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

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** (see link: <http://corporate.ppg.com/getmedia/92de1b44-bee9-4421-80d9-b37b0cb6e26d/PPG-Supplier-Code-of-Conduct-12-18-2014.pdf>) 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.

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

3.2.3 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 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 will be 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 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 (see below).

4.3 Annual Supplier Audits

These are conducted by the **CSDT** which follow a series of questions set out in an audit checklist. The audit questions are extensive and cover all aspects of a supplier's business. They do however include certain ethical questions including employees' working conditions and their health and safety at work; compliance with local labour laws; and the existence of policies prohibiting child and forced labour. In 2016, some 87 suppliers were audited globally by the **CSDT** which included suppliers of raw materials, packaging and services with action plans being put in place to improve performance. Of the 87 suppliers audited, 24 were suppliers to the **PPG Group's** UK legal entities (including **PPG Architectural Coatings UK Limited**) and no adverse issues were highlighted with respect to the ethical questions contained within the audit.

4.4 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** (see link: <http://corporate.ppg.com/Purchasing/Supplier-Sustainability.aspx>).

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. 2016 Initiatives

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. 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. Additionally **PPG Architectural Coatings UK Limited** has reviewed the formulations for its architectural coatings to ascertain whether or not they included any natural mica component. As of 31st December 2016, none of **PPG Architectural Coatings UK Limited's** formulations for those coatings included natural mica.

The investigation led to **PPG Group** becoming, on 31 January 2017, a voting member of the **Responsible Mica Initiative** group (see link: <http://www.responsible-mica-initiative.com>). 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.

8.2 CSDT initiatives

In 2015, **PPG** issued a self-assessment questionnaire to its top 100 suppliers globally (based on **PPG's** 2014 spend). In 2016, the results of the survey were used by the **CSDT** to identify which key areas of **PPG Group's** supply chain should be audited to assess (amongst other things) the risk of the existence of human trafficking and slavery. The three areas identified by the **CSDT** were as follows:

- Mining suppliers
- Direct suppliers with a low visibility of their own supply chain
- Suppliers with operations in Asia and Africa

9. Proposed 2017 initiatives

9.1 CSDT Initiatives

The **CSDT** will, based upon a set of criteria, select which suppliers are to be audited with respect to the 3 key areas of focus identified by the **CSDT** in 2016. Once selected, the suppliers will be audited by the **CSDT**.

9.2 PPG Architectural Coatings UK Limited's Initiatives

A UK working group (to include **PPG Architectural Coatings UK Limited** along with other **PPG Group** UK legal entities) will be assembled to identify and thereafter work on the key areas of focus in 2017 including the following:

9.2.1 to liaise with the **CSDT** to ensure that a certain percentage of suppliers selected and audited under section 9.1 include suppliers of **PPG Architectural Coatings UK Limited**;

9.2.2 to conduct a survey of new and existing UK-based raw material and packaging suppliers with a strong focus on assessing the risk of the incidence of human trafficking and slavery in their supply chain;

9.2.3 reviewing **PPG Group** and **PPG Architectural Coatings UK Limited's** existing purchasing contracts and updating them as necessary to ensure they address the risk of human trafficking and slavery in their supply chain;

9.2.4 ensuring that ongoing compliance with its obligations under the **MSA** remains on the agenda of the **PPG Architectural Coatings UK Limited's** board of directors.

Director for and on behalf of
PPG Architectural Coatings UK Limited
30th June 2017





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beautify the world™

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