

Corporate Governance Report

Contents

85 **Introduction**

85 UK Corporate Governance Code

85 **Leadership**

85 Governance Framework

86 Key Responsibilities

87 Board Meetings

89 Board Committees

89 Board Attendance

90 **Effectiveness**

90 Our Board's Composition

90 Independence of the Non-Executive Directors

90 Appointing to Our Board and its Committees

91 Terms of Appointment of the Non-Executive Directors

91 Succession Planning

91 Boardroom Diversity

92 Time Commitment of the Chairman and the Non-Executive Directors

92 Director Induction and Development

93 Indemnification of Directors and Insurance

93 Directors' Conflicts of Interest

93 Evaluation of the Board, Board Committees and Directors

95 Review of the Chairman's Performance

95 Review of Executive Director Performance

95 Annual Re-Election of Directors

95 **Accountability**

95 Financial and Business Reporting

95 Risk Management and Internal Control

96 The Audit Committee

96 **Remuneration**

96 **Relations with Shareholders**

96 Dialogue with Our Shareholders

96 Reporting of Results and the Investor Day

96 Contact with Our Shareholders

97 Annual General Meetings

Introduction

Our board of directors is responsible to our shareholders for ensuring the sound running of the company. This can only be achieved if the board is supported by appropriate and well managed governance processes. The key elements of these processes are described in this Corporate Governance Report.

UK Corporate Governance Code

The UK Corporate Governance Code was published by the Financial Reporting Council (FRC) in May 2010 and a revised version was published in September 2012 (the Code). The Code contains broad principles and specific provisions which set out standards of good practice in relation to **leadership, effectiveness, remuneration, accountability and relations with shareholders**. This Corporate Governance Report is structured so as to report against each of these key areas. Together with the Nomination Committee Report, the Audit Committee Report and the Remuneration Report, it describes how we have complied with the provisions of the Code and applied its main principles during the year. We have complied with all relevant provisions of the Code throughout the year except in relation to Senior Independent Director contact with major shareholders and, for a brief period, in relation to board composition. These are explained in more detail on pages 97 and 90 respectively.

Leadership

Governance Framework

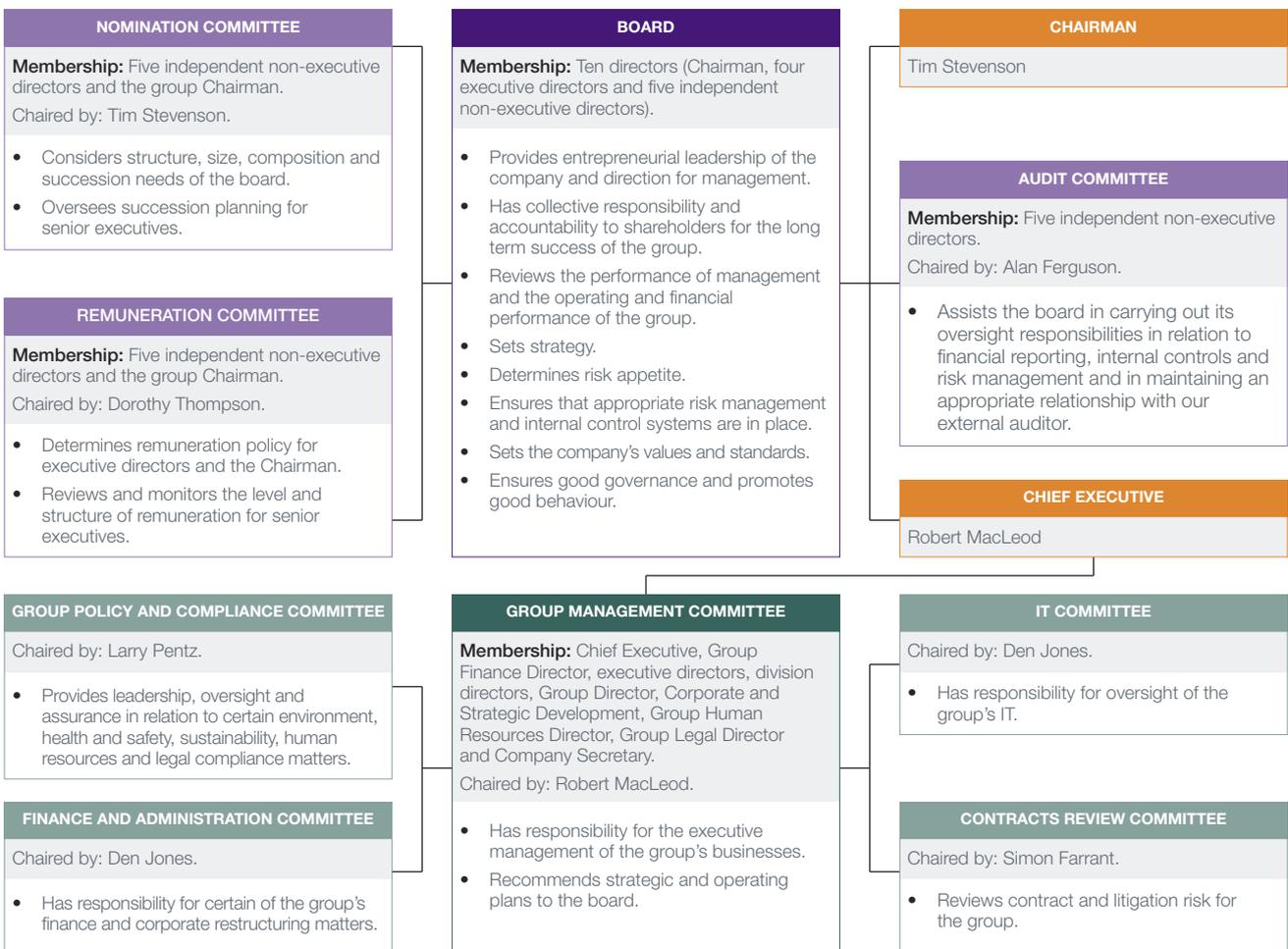
The group's principal decision making body is the board. It has responsibility for setting the group's strategic direction and for ensuring that the group manages risk effectively. The board is accountable to shareholders for the group's financial and operational performance.

Responsibility for implementing operational decisions and the day to day management of the business is delegated to the Chief Executive who is supported by the Group Management Committee (GMC).

The GMC is supported by four sub-committees – the Group Policy and Compliance Committee, the Finance and Administration Committee, the IT Committee

and the Contracts Review Committee, each of which has responsibility for certain areas within the group.

The governance framework is described below.



6. Governance

Corporate Governance Report continued

Key Responsibilities

Chairman	<ul style="list-style-type: none"> • Leads our board. • Ensures an effective board, including effective contribution from our directors. • Ensures that Johnson Matthey maintains effective communications with our shareholders.
Chief Executive	<ul style="list-style-type: none"> • Has day to day responsibility for running the group's operations. • Recommends to the board and implements group strategy. • Applies group policies. • Promotes the company's culture and standards.
Executive Directors	<ul style="list-style-type: none"> • Have specific responsibilities for areas of the group's business. • Discharge duties in respect of the group as a whole.
Non-Executive Directors	<ul style="list-style-type: none"> • Constructively challenge our executive directors in all areas. • Scrutinise management's performance. • Help develop proposals on strategy. • Satisfy themselves on the integrity of financial information and on the effectiveness of financial controls and risk management systems. • Determine appropriate level of remuneration for executive directors.
Senior Independent Director	<ul style="list-style-type: none"> • Provides a sounding board for the Chairman. • Acts, if necessary, as a focal point and intermediary for the other directors. • Ensures that any key issues not addressed by the Chairman or the executive management are taken up. • Is available to shareholders should they have concerns. • Leads the annual appraisal of the Chairman's performance.
Company Secretary	<ul style="list-style-type: none"> • Acts as secretary to our board and its committees. • Together with the Chairman, keeps the efficacy of the company's and our board's governance processes under review. • Has responsibility for compliance with board procedures. • Provides advice on corporate governance issues.

Further information on the role of our board and its committees and on how they operate is set out in the Investor Relations / Corporate Governance section of our website. We also explain further the respective roles of our Chairman, our Chief Executive, our executive directors, our non-executive directors, our Senior Independent Director and our Company Secretary.

There is a clear division of responsibilities between the running of the board and the executive responsibility for the running of the business. The Chairman's and Chief Executive's roles are separate. This division of responsibilities is clearly established in a written statement which is set out in full in the Investor Relations / Corporate Governance section of our website.

Board Meetings

Annual Agenda Plan

Each year the board agrees an annual agenda plan designed to ensure that it has the right amount of time throughout the year to discuss all necessary matters. In particular, the board has sought to ensure there is sufficient time to discuss strategy so that the non-executive directors have a good opportunity to challenge and help develop strategy proposals.

Board Activities During the Year

Our board usually meets formally six times a year. During the year these meetings were held at various locations and additional activities were carried out as shown on the right.

Date of Board Meeting	Location	Additional Activities
3rd June 2014	London, UK	–
22nd July 2014	London, UK	–
1st October 2014	Skopje, Macedonia	Tour of Emission Control Technologies' plant Strategy and business presentations from local and regional management
18th November 2014	London, UK	–
27th January 2015	London, UK	–
31st March 2015 1st April 2015	Royston, UK	Tour of Precious Metal Products' Noble Metals plant Strategy and business presentations from local and regional management

In addition to the above formal meetings, during the year board members participated in two scheduled board telephone conference calls. The purpose of these was to give the executive directors the opportunity to update the non-executive directors on key matters during the longer gaps between scheduled board meetings.

Board Visit to ECT Macedonia

In October 2014 the board visited Emission Control Technologies' (ECT's) plant in Skopje, Macedonia. We had a day discussing group strategy (including the purchase of the battery materials business of Clariant AG and the strategy and growth opportunities of our Fine Chemicals Division). We also held a board meeting, toured the plant and spent time with managers and staff from the site and from ECT more broadly. We gained a real insight into the history and operation of this significant part of ECT's operations in Europe and its challenges, successes and opportunities. It was particularly engaging to witness the everyday 'gemba' meeting at the start of a plant shift, which vividly brought to life for the non-executive directors the emphasis placed on the health and safety of all who work in the plant. We also saw the power of 'lean' manufacturing and were shown the advances we are making through our Manufacturing Excellence efforts at our sites. The visit brought home to us again the importance of our non-executive directors seeing our operations on the ground and meeting the teams who make them successful.



6. Governance

Corporate Governance Report continued

Each board meeting includes one or more business or strategy presentations from the division directors and senior managers. To ensure that the board is kept up to date on important matters, including environmental, legal, governance and regulatory developments, presentations are also made to the board by external and internal advisers. Specific areas of focus by the board during the year included:

Strategy	<ul style="list-style-type: none"> • Group strategy update. • Deeper strategic dives into: <ul style="list-style-type: none"> – Fine Chemicals; – Process Technologies - Chemicals; – Precious Metal Products; – Fuel Cells; – HR; and – Collaboration and strategic marketing. • Acquisition and disposal opportunities (including disposal of Gold and Silver Refining business and Research Chemicals business and acquisition of Clariant AG's battery materials business).
Environment, health and safety	<ul style="list-style-type: none"> • Health and safety performance across the group. • Groupwide health and safety activities including safety leadership workshops, EHS behaviour safety programme, safety principles, lifesaving policies and EHS audit programme.
Risk	<ul style="list-style-type: none"> • Group's principal risks. • Risk appetite. • Risk management and internal control systems. • Business risks plus specific additional risk areas, including: <ul style="list-style-type: none"> – Legal and compliance; – HR; – Tax and treasury; and – IT.
Financial	<ul style="list-style-type: none"> • Full year results, half year results and trading updates. • Shareholder distributions. • Annual Report and Accounts. • Group budget 2015/16 and three year plan. • Group's and individual businesses' financial performance against budget and forecast. • Key treasury and tax matters.
Operational	<ul style="list-style-type: none"> • Capital expenditure (including acquisition of Annan, UK, facility in Fine Chemicals). • Post-investment reviews and lessons learned.
Shareholders	<ul style="list-style-type: none"> • Analyst and investor feedback. • Annual general meeting briefing. • Investor relations strategy.
Governance	<ul style="list-style-type: none"> • Board composition (including appointment of Chris Mottershead as a non-executive director). • Board and committee performance evaluation. • Non-executive directors' independence. • Directors' conflicts of interest. • Reports from board committees on their activities. • Annual board agenda plan.

Board Committees

Our board has three committees: the Nomination Committee, the Audit Committee and the Remuneration Committee. Their terms of reference can be found in the Investor Relations / Corporate Governance section of our website.

Board Attendance

The attendance of members at board meetings in the year was as follows:

	Role	Date of appointment to board	Number of meetings eligible to attend	Number of meetings attended	% attended
Tim Stevenson	Chairman	29th March 2011 ¹	6	6	100%
Neil Carson	Former Chief Executive / Executive director	1st August 1999	2 ²	2	100%
Odile Desforges	Non-executive director	1st July 2013	6	6	100%
Alan Ferguson	Non-executive director	13th January 2011	6	6	100%
Den Jones	Group Finance Director	5th June 2014	5 ³	5	100%
Robert MacLeod	Chief Executive	22nd June 2009 ⁴	6	6	100%
Colin Matthews	Non-executive director	4th October 2012	6	6	100%
Chris Mottershead	Non-executive director	27th January 2015	1 ⁵	1	100%
Larry Pentz	Executive director	1st August 2003	6	6	100%
Michael Roney	Non-executive director	1st June 2007	2 ⁶	2	100%
Dorothy Thompson	Non-executive director	1st September 2007	6	6	100%
John Walker	Executive director	9th October 2013	6	6	100%

¹ Tim Stevenson was appointed Chairman on 19th July 2011.

² Neil Carson retired from the board on 30th September 2014.

³ Den Jones was appointed to the board on 5th June 2014.

⁴ Robert Macleod was appointed Chief Executive on 5th June 2014.

⁵ Chris Mottershead was appointed to the board on 27th January 2015.

⁶ Michael Roney retired from the board on 23rd July 2014.

Since the end of the year, the board has met once and all members attended.

The attendance of members at board committee meetings in the year is set out in the Audit Committee Report, the Nomination Committee Report and the Remuneration Report (in respect of the Remuneration Committee) on pages 101, 98 and 118 respectively.

Where directors are unable to attend a board or board committee meeting, they communicate their comments and observations on the matters to be considered in advance of the meeting via the group Chairman, the Senior Independent Director or the relevant board committee chairman for raising as appropriate at the meeting. Individuals' attendance at board and board committee meetings is considered, as necessary, as part of the formal annual review of their performance.

6. Governance

Corporate Governance Report continued

Effectiveness

Our Board's Composition

As at 31st March 2015 and as at the date of approval of this annual report, our board comprised the Chairman, four executive directors and five non-executive directors, each of whom is determined by the board to be independent. Biographical details of all our directors can be found on pages 82 and 83.

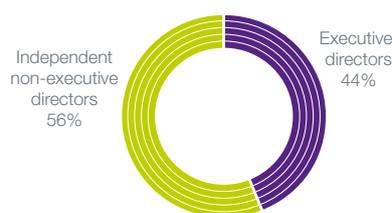
The following board changes occurred during the year:

- Neil Carson retired as Chief Executive on 5th June 2014 and from the board on 30th September 2014.
- Robert MacLeod appointed as Chief Executive on 5th June 2014.
- Den Jones appointed as Group Finance Director on 5th June 2014.
- Michael Roney retired from the board on 23rd July 2014.
- Chris Mottershead appointed as a non-executive director on 27th January 2015.

Our board seeks to ensure that both it and its committees have the appropriate range and balance of skills, experience, knowledge and independence to enable them to carry out their duties and responsibilities effectively. The board is of the view that it is the right size to meet the business' requirements, that changes to its composition and that of its committees can be managed without undue disruption and that it is not so large as to be unwieldy. It also believes that it includes an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors). The size and composition of the board is kept under review by the Nomination Committee.

Compliance with the UK Corporate Governance Code

During the period following Michael Roney's retirement on 23rd July 2014 up to Neil Carson's retirement on 30th September 2014, the board comprised five executive directors and four independent non-executive directors (excluding the Chairman). Whilst this was not in compliance with the Code (Provision B.1.2, which states that at least half the board excluding the chairman should comprise non-executive directors determined by the board to be independent), the board was comfortable with its composition for this brief period knowing that the executive and independent non-executive balance would be restored following Neil's retirement. The board believes that its balance of skills, experience and independence was not compromised during this period and that no one individual, or group of individuals, were able to dominate the board's decision taking. Following Chris Mottershead's appointment on 27th January 2015, the board comprises the Chairman, four executive directors and five independent non-executive directors, which means that more than half of our board, excluding the Chairman, now comprises independent non-executive directors.

Current Board Composition¹

¹ Under the Code, the Chairman is excluded when considering the independent non-executive director composition of the board.

Independence of the Non-Executive Directors

The board formally reviews non-executive director independence annually, most recently at its meeting in June 2015. The board considers all relevant relationships and circumstances, including those set out in the Code. It considers, for example, whether the director has, or has had within the last three years, a material business relationship with Johnson Matthey, holds cross directorships or has significant links with fellow directors through involvement in other companies or bodies, or represents or has a material connection to a controlling or significant shareholder or is nominated by a shareholder.

The board considers that there are no business or other relationships or circumstances which are likely to affect, or may appear to affect, the judgment of any non-executive director. Each non-executive director is determined by the board to be independent in character and judgment.

Information on the company's procedures for authorising potential conflicts of interest is set out under 'Directors' Conflicts of Interest' on page 93.

Appointing to Our Board and its Committees

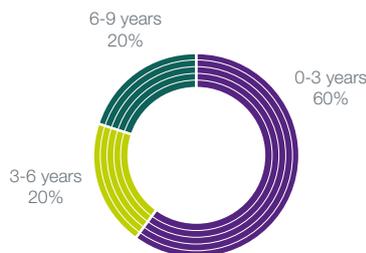
The board, through the Nomination Committee, follows a formal, rigorous and transparent procedure to select and appoint new board directors. The processes are similar for the appointment of executive and non-executive directors. The Nomination Committee leads the process and makes recommendations to the board. The board recognises the importance of developing internal talent for board appointments, as well as recruiting externally, and Johnson Matthey has a variety of mentoring arrangements and a wide range of management development programmes for all employee levels. The board also recognises the need to recruit non-executive directors with the right technical skills and knowledge for its committees and who have the potential to take over as committee chairmen.

Terms of Appointment of the Non-Executive Directors

Our non-executive directors are appointed for specified terms subject to annual election and to the provisions of the Companies Act 2006 (the 2006 Act) relating to the removal of a director.

In accordance with the Code, any term beyond six years for a non-executive director is subject to particularly rigorous review and takes into account the need for progressive refreshing of the board. Dorothy Thompson, one of our non-executive directors who will be proposed for re-election at the 2015 AGM, has served on our board for almost eight years. Her term of appointment was reviewed and extended in 2012/13 to 31st August 2016.

Non-Executive Director Tenure



Succession Planning

The board recognises that effective succession planning is not only a fundamental component of board effectiveness but is also integral to the delivery of Johnson Matthey's strategic plans. It is essential in ensuring a consistent level of quality in management, in avoiding instability by helping mitigate the risks which may be associated with any unforeseen events (such as the departure of a key individual), and in promoting diversity. The board, through the Nomination Committee, is actively engaged in succession planning to ensure plans are in place for the orderly and progressive refreshing of its membership and to identify and develop senior management with potential for board and GMC positions.

Below board level, there is a structured approach to succession planning designed to secure a pipeline of talented and capable individuals from within Johnson Matthey who will ultimately progress to board and GMC positions. Each of our divisions and corporate functions prepare and maintain succession plans, assisted by divisional and group Human Resources. The GMC rigorously reviews these plans each year.

A key aim is to ensure broad experience and encourage cross fertilisation across our divisions. The identification and development of high potential individuals is also considered by the GMC. The GMC's review of the succession plans generally leads to further refinement and changes, resulting in the final plans which are submitted to the Nomination Committee. Each year the Nomination Committee, with input from the Group Human Resources Director, reviews the management development and succession planning processes for the directors and senior executives, approves succession plans for the board and considers succession plans for senior executives.

Johnson Matthey has in place a range of ongoing talent management and development initiatives designed to further develop senior management. Many of these are well established, but new initiatives are being developed and introduced which are designed to support current strategic imperatives. Key initiatives continued this year are our executive development programme with London Business School, aimed at developing senior level talent and boosting their capabilities around strategy and leadership, and a global training curriculum to support the group's Manufacturing Excellence programme.

Succession planning at board and senior management level for Johnson Matthey encompasses potential succession to all senior roles, including that of Chief Executive, and considers the identification, development and readiness of potential internal successors. The board (through the Nomination Committee) will continue to focus during the coming year in particular on the key issues of active talent management, mobility across the group and diversity.

Boardroom Diversity

Our board believes that diversity is important for board effectiveness.

Diversity Policy

Our board has adopted a diversity policy and this is set out in full in the Sustainability / Sustainability Governance / Our Policies section of our website. We have not set express diversity quotas or measurable objectives for implementing the policy. However, in recent non-executive director selection processes the board has encouraged applications from women subject to the selection criteria being met.

As at 31st March 2015, and as at the date of approval of this annual report, we had two women on our board, which represented 20% of our total board membership and 33% of our non-executive membership. Further information on gender diversity across the organisation can be found on page 67.

The company has taken, and continues to take, several steps to promote diversity, including gender diversity, both at senior management level and in the boardroom. Developing policies and processes that prevent bias in relation to recruitment and promotion form the basis. However, the key to progress lies in actively promoting diversity and ensuring that other positive measures are taken. These include requiring balanced shortlists when recruiting, ensuring diversity mix at company events and conferences, actively discussing diversity in succession planning and talent management, promoting industrial and scientific careers to women and developing family friendly and flexible employment policies. There remain challenges to overcome, particularly in respect of gender diversity given the sector in which Johnson Matthey operates, but we are continuing to make good progress.

Board Evaluation Process

Under the Code, evaluation of the board should consider the balance of skills, experience, independence and knowledge of the company on the board; its diversity, including gender; how the board works together as a unit and other factors relevant to its effectiveness. Our board followed this principle in its board and committee evaluation process in 2014/15. Further information is set out under 'Evaluation of the Board, Board Committees and Directors' on page 93.

Appointments to the Board

As described under 'Appointing to Our Board and its Committees' on page 90, the search for board candidates is conducted, and appointments made, on merit, against objective selection criteria, having due regard for the benefits of diversity on the board, including gender.

Corporate Governance Report continued

Time Commitment of the Chairman and the Non-Executive Directors

The board recognises that it is vital that all directors should be able to dedicate sufficient time to Johnson Matthey to effectively discharge their responsibilities. The time commitment required by Johnson Matthey is considered by the board and by individual directors on appointment. The letters of appointment of the Chairman and of each non-executive director set out the expected minimum time commitment for their roles. Each undertake that they will have sufficient time to meet what is expected of them for the proper performance of their duties and acknowledge that there may, on occasion, be a need to devote additional time. The minimum time commitment considered by the board to be necessary for a non-executive director, and provided in the letters of appointment, is two days per month following induction.

The other significant commitments of the Chairman and of each non-executive director are disclosed to the board before appointment, with an indication of the time involved. The board requires to be, and is, informed of subsequent changes as they arise. Details of Tim Stevenson's other significant commitments are set out on page 82. There were no changes to his significant commitments during the year. Details of the other board members' other significant commitments are set out on pages 82 and 83.

Director Induction and Development

Induction

Johnson Matthey puts full, formal and tailored induction programmes in place for all its new board directors. While directors' backgrounds and experience are taken into account, the induction is aimed to be a broad introduction to the group's businesses and its areas of significant risk. Key elements are meeting the executive directors and senior and middle management individually and collectively and visiting the group's major sites in order to be briefed on group strategy and on individual businesses.

Chris Mottershead's Induction

During the year, the Chairman and the Company Secretary devised a comprehensive induction programme for Chris Mottershead who joined the board at the end of January 2015. This programme, which is designed to be carried out over a six month period and is currently ongoing, involves Chris meeting individually the Chairman, Chief Executive and certain other board members, all members of the GMC, our Technology Centre Director and our KPMG lead audit partner. Chris is also meeting members of our senior and middle management teams. These meetings are taking place at a range of Johnson Matthey sites in the UK, giving Chris the opportunity to tour the sites to learn more about our people, products and processes. The induction programme will be reviewed with Chris after its completion at which time his views will be sought as to any further induction requirements he might have. Feedback on the programme will be sought from Chris 12 to 18 months after his appointment. This feedback will be used to help design future non-executive director induction programmes.

Familiarisation, Training and Development

Our intention is that all directors have familiarity with, and appropriate knowledge of, Johnson Matthey and gain access to our operations and employees. The board ensures that the company provides the necessary resources to allow this to happen. We take various steps to ensure that all of our directors continually refresh their knowledge and skills so that they can effectively fulfil their roles on our board and its committees and so that their contributions remain informed and relevant.

The board holds at least one board meeting per year at one of the group's operational sites and takes the opportunity to tour the site and discuss business issues, risks and strategy with local management. Two such meetings were held during the year as detailed on page 87. Individual non-executive directors also undertake site visits. These presentations, meetings and site visits help the non-executive directors to familiarise themselves with, and gain a greater insight into, Johnson Matthey's businesses and help to give a balanced overview of the group. They enable the non-executive directors to continue to develop and refresh their knowledge and understanding of our businesses, the markets in which we operate and our key relationships. They are also important for building links with our employees.

As part of the annual performance review process referred to under 'Evaluation of the Board, Board Committees and Directors' on page 93, our Chairman, Tim Stevenson, discusses any individual training and development requirements. Tim is also available throughout the year to discuss these areas.

Information and Support

The board has processes in place to ensure that it receives the right information in the right form and at the right time to enable it to effectively discharge its duties. The Chairman, through the Company Secretary and with the support of the executive directors and management, ensures that this information is of high quality in terms of its accuracy, clarity, appropriateness, comprehensiveness and currency. Directors are able to seek clarification or amplification from management where necessary. Our directors have access to independent external professional advice at the company's expense where they judge this necessary to discharge their responsibilities as directors.

Indemnification of Directors and Insurance

Under Deed Polls dated 20th July 2005 Johnson Matthey granted indemnities in favour of each director of the company and of its subsidiaries in respect of any liability that he or she may incur to a third party in relation to the affairs of the company or any group member. These were in force during the year for the benefit of all persons who were directors of the company or of its subsidiaries at any time during the year and remained in force for the benefit of all persons who were directors of the company or of its subsidiaries as at the date of approval of this annual report. The company has appropriate directors' and officers' liability insurance cover in place in respect of legal action against, amongst others, its executive and non-executive directors. Neither the company nor any subsidiary has indemnified any director of the company or a subsidiary in respect of any liability that he or she may incur to a third party in relation to a relevant occupational pension scheme.

Directors' Conflicts of Interest

We have established procedures in place in accordance with our Articles of Association to ensure we comply with the directors' conflicts of interest duties under the 2006 Act and for dealing with situations in which a director may have a direct or indirect interest that conflicts with, or may conflict with, the interests of the company. Johnson Matthey has complied with these procedures during the year. Details of any new conflicts or potential conflict matters were submitted to the board for consideration and, where appropriate, these were approved.

In March 2015 the board undertook an annual review of previously approved conflict or potential conflict matters and, to the extent that these were still relevant, agreed that they should continue to be authorised on the terms previously set out. In each case, the review was undertaken by directors who were genuinely independent of the matter. Authorised conflict or potential conflict matters will continue to be reviewed by the board on an annual basis.

The board confirms that Johnson Matthey complies with its procedures to authorise conflict situations and is satisfied that its powers to authorise conflict situations are being exercised properly and effectively and in accordance with its Articles of Association.

Evaluation of the Board, Board Committees and Directors

Our board carries out a formal annual evaluation of its own performance and that of its committees and individual directors with the aim of improving effectiveness. This is led by the Chairman and seeks to be as rigorous and objective as possible. The process considers the board's strengths and weaknesses, its range and balance of skills, experience, independence and knowledge of the company, its diversity, including gender diversity, how the board works together as a unit and any other factors considered to be relevant. Individual evaluation aims to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including time commitment). The Chairman acts on the results of the performance evaluation. Strengths are recognised and any weaknesses addressed.

Our Chairman led internal review processes in each of the prior three years, supported by the committee chairmen and the Company Secretary. In 2014/15 the board underwent an external evaluation process. This was led by external consultants, JCA Group. JCA Group have no other connection with the company.

This exercise was a facilitated self-evaluation based on input from all members of the board, the Company Secretary, the Group HR Director and the KPMG lead audit partner. Following discussions with the Chairman, JCA Group prepared a discussion guideline which formed the basis for all individual meetings.

In January and February 2015 JCA Group met individually with the directors for an open, confidential, unattributed conversation using the discussion guideline to steer but not prescribe the topics. JCA Group submitted a draft report to the Chairman and the Chief Executive and presented the final report to the board in March 2015. On the basis of their findings, JCA Group made a number of recommendations for consideration by the board. These have been debated by the board and follow up actions and responsibilities considered. The board also discussed the evaluation process itself and agreed that external evaluation had been appropriate and effective.

Key discussion topics in the review included: overall view of the board, organisation of the board, board dynamics, strategy, judgment of business performance, risk management, stakeholder management, committees, board composition and succession management, corporate governance and overall board effectiveness. A summary of the actions we undertook following last year's review and the key findings and recommendations from this year's review can be found on the following page.

Corporate Governance Report continued

Actions Undertaken Following 2013/14 Review:

Strategy and Risk Management

- Updating telephone conference calls were added to the schedule in the longer gaps between board meetings.
- Board dinners prior to board meetings continued to be used to enable both informal debate and for the non-executive directors to be better informed about softer issues affecting the group.
- The regularity of timetabling and discussion of certain agenda items was assessed and efforts were renewed to ensure that at each meeting there is a substantial element of strategy discussed and an appropriate balance with governance items.
- Agendas were revisited to ensure continued focus by the board and the Audit Committee on key risks areas.

Board Composition and Succession Management

- Responsibility for ensuring there is a robust process for succession planning and talent management oversight was moved to the Nomination Committee from the Remuneration Committee.

2014/15 Review:

The board is operating effectively to support the business. However, there is still more progress to make to improve its effectiveness and all board members are in support of and are committed to this.

Following the review the board is considering recommendations for action in the following areas:

Board dynamics	<ul style="list-style-type: none"> • Continued strengthening of engagement, contribution and constructive challenge by all board members.
Strategy	<ul style="list-style-type: none"> • Creating time for further discussion on the longer term strategy for the business to gain maximum benefit from the collective experience and input of all board members. • Ensuring ongoing dialogue by the board to continue to evaluate investment decisions and, in particular, to ensure the board is able to provide effective challenge as it considers expansion into new areas and / or new geographies.
Judgment of business performance	<ul style="list-style-type: none"> • Improving how performance is measured, beyond financial delivery. • Allowing the board to gain a deeper read on the culture of Johnson Matthey. • Ensuring effective induction for newly appointed non-executive directors and ongoing education of the board.
Risk management	<ul style="list-style-type: none"> • Continuing to give close attention to risk management, including non-financial risk, and the further embedding of risk management into Johnson Matthey's culture. • Ensuring the board demonstrates its full support for the reinforcement of ethical conduct and the leadership of this from the Chief Executive.
Environment, health and safety (EHS)	<ul style="list-style-type: none"> • Continuing to challenge and support the executives in enhancing the group's EHS culture and performance.
Board composition and succession management	<ul style="list-style-type: none"> • Continuing to ensure appropriate board composition and mix of experience. • Continuing to focus on succession management, including providing the board with a deeper understanding and visibility of talent and higher potentials in the group below GMC level.
Corporate governance	<ul style="list-style-type: none"> • Focusing more on progress in respect of compliance matters. • Continuing to attend closely to corporate governance and ethics as the group grows into new geographies and new sectors.

Future Review

The board's intention remains to undertake an externally facilitated evaluation process at least every three years. In the intervening years, the review will be led by the Chairman supported by the committee chairmen and the Company Secretary.

Review of the Chairman's Performance

The non-executive directors recognise that the Chairman's effectiveness is vital to that of the board. Led by Alan Ferguson, the Senior Independent Director, the non-executive directors are responsible for performance evaluation of the Chairman and for providing a fair and balanced assessment to shareholders.

In March 2015, the non-executive directors, led by Alan, met without Tim Stevenson being present, to discuss Tim's performance. Particular focus was given to his overall leadership of the board, the setting of tone, his time commitment, the setting of appropriate agendas and the effectiveness of structuring and leading discussions. In reviewing Tim's performance, the views of executive directors were also taken into account. Alan subsequently reported the outcome to the board that Tim's leadership of the board was unanimously agreed to be effective and, in particular, that he had handled key succession issues very well.

Review of Executive Director Performance

The Chairman met with the non-executive directors without the executive directors being present in November 2014 in order to review the executive directors' performance.

Annual Re-Election of Directors

In accordance with the Code, all directors retire at each Annual General Meeting (AGM) and offer themselves for re-election by shareholders. At the 2015 AGM, all directors will be offering themselves for re-election (or election in the case of Chris Mottershead as he has been appointed to the board since the 2014 AGM).

Our 2015 AGM circular details why the board believes each director should be elected or re-elected based on continued satisfactory performance in the role. In the circular, the Chairman confirms to shareholders that, following formal performance evaluation, the performance of each non-executive director continues to be effective and that they demonstrate commitment to the role (including commitment of time for board and board committee meetings).

Accountability

Financial and Business Reporting

In its reporting to shareholders the board recognises its responsibility to present a fair, balanced and understandable assessment of the group's position and prospects. This responsibility covers the Annual Report and Accounts and extends to half year and other price sensitive public reports and reports to regulators as well as to information required by statutory requirements. The directors consider this annual report, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

The group reports the results of its five divisions: Emission Control Technologies, Process Technologies, Precious Metal Products, Fine Chemicals and New Businesses. The divisions are all separately managed but report to the board through a board director. The GMC reviews monthly summaries of financial results from each division through a standardised reporting process. Forecasts are prepared monthly throughout the year and the group has a comprehensive annual budgeting and planning process including plans for the following two years. Budgets are approved by the board. Variances from budget are closely monitored. In addition to the annual budgeting process, there is a ten year strategy review process.

Risk Management and Internal Control

The board is ultimately responsible for maintaining sound risk management and internal control systems (including financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature).

The company's internal control systems are on a groupwide basis and the review of their effectiveness (including of the application of the Revised Guidance for Directors on the Combined Code issued by the FRC in October 2005 – Revised Turnbull Guidance) is implemented and reported from a groupwide perspective, covering the company and its subsidiaries. There are no material joint ventures or associates which have not been dealt with as part of the group for the purposes of applying the Revised Turnbull Guidance.

Our risk management systems and internal control systems are designed to meet the group's needs and to manage the risks to which it is exposed, including the risks of failure to achieve business objectives and of material misstatement or loss. However, such risks cannot be eliminated. Our systems can only provide reasonable, but not absolute, assurance. They can never completely protect against such factors as unforeseeable events, human fallibility or fraud.

The board confirms that there is a framework of continuous and ongoing processes in place (established in accordance with the Revised Turnbull Guidance) for identifying, evaluating and managing the significant risks faced by the group. These processes are regularly reviewed by the GMC, the board and the Audit Committee as appropriate and have been in place during the year and up to the date of approval of this annual report.

The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board's view of Johnson Matthey's key strategic and operating risks and how the company seeks to manage those risks is set out on pages 22 to 27.

6. Governance

Corporate Governance Report continued

Risk Management and Internal Control Systems

The group's risk management and internal control systems comprise group policies, procedures and practices covering a range of areas including the appropriate authorisation and approval of transactions, the application of financial reporting standards and the review of financial performance and significant judgments. Our Group Control Manual, which is distributed to all group operations, clearly sets out the composition, responsibilities and authority limits of the various board and executive committees and also specifies what may be decided without central approval. It is supplemented by other specialist policy and procedures manuals issued by Johnson Matthey, its divisions and individual businesses or departments.

Review of Effectiveness of the Group's Risk Management and Internal Control Systems

A key responsibility of the board is to review, assess and confirm the adequacy and effectiveness of the group's risk management and internal control systems (including financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature). The board has delegated part of this responsibility to the Audit Committee. The role and work of the Audit Committee in this regard and the role of the group's internal audit function are described in the Audit Committee Report (pages 101, 104 and 105).

The board, through setting its own annual agenda plan, defines the review process to be undertaken, including the scope and frequency of assurance reports received throughout the year. The board agenda plan, together with that of the Audit Committee, are designed to ensure that all significant areas of risk and the related risk management and internal control systems are reported on and considered during the course of the year. In addition to determining risk appetite, the board specifically reviews, amongst other things, risks relating to EHS, technology, human resources, legal and compliance and intellectual property.

The board, in part through the Audit Committee, has conducted an overarching review of the effectiveness of the company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls, and financial reporting processes, for the year. The review process accords with the Revised Turnbull Guidance.

The Audit Committee

The composition of the Audit Committee is set out in the Audit Committee Report (pages 101 to 107), which describes the work of the Audit Committee in discharging its responsibilities.

Financial Experience

The board is satisfied that at least one member of the Audit Committee, Alan Ferguson, has recent and relevant financial experience.

Remuneration

The board has established a Remuneration Committee. The composition of the Remuneration Committee is set out in the Remuneration Report (pages 118 to 126), which describes the work of the Remuneration Committee in discharging its responsibilities.

Relations with Shareholders**Dialogue with Our Shareholders**

Our board welcomes the opportunity to openly engage with shareholders as it recognises the importance of a continuing effective dialogue, whether with major institutional investors, private shareholders or employee shareholders. The board takes responsibility for ensuring that such dialogue takes place.

Reporting of Results and the Investor Day

We report formally to our shareholders when we publish our full year results in June and our half year results in November. These results are posted on our website. When we publish the results, our executive directors give presentations on the half year and full year results in face to face meetings with institutional investors, analysts and the media in London. Live webcasts of these results presentations are available on our website. Our first quarter and third quarter trading updates (issued respectively in July and in late January / early February each year) are also posted on our website.

In addition, we hold an Investor Day for our institutional investors and analysts. At the January 2015 Investor Day, held in Reading and at our nearby technology centre in Sonning Common, we gave presentations on our group strategy, the strategy of each of our divisions and a review of key R&D developments. A live webcast of the Investor Day presentation and a copy of the presentation are available on the Investor Relations / Presentations section of our website.

Contact with Our Shareholders

Our Chairman takes overall responsibility for ensuring that the views of our shareholders are communicated to the board and that our directors are made aware of major shareholders' issues and concerns. However, contact with major shareholders is principally maintained by the Chief Executive and the Group Finance Director. They have a regular dialogue with institutional shareholders on performance, plans and objectives through a programme of one to one and group meetings and ensure that shareholder views are communicated to the board. Our Investor Relations Department acts as a focal point for contact with investors throughout the year.

The Chairman is available to meet with institutional investors to hear their views and discuss any issues or concerns, including on governance and strategy. The Senior Independent Director and the other non-executive directors are similarly available if requested. However, no such meetings were held or requested during the year.

Overall, the board believes that appropriate steps have been taken during the year to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the views of major shareholders. These have included, for example, analysts' and brokers' briefings, consideration by the board of six monthly brokers' reports and of feedback from shareholder meetings on a six-monthly basis. Major shareholders' views are canvassed for the board in a detailed investor survey which is usually conducted every two years by external consultants. It is planned that the next such survey will be undertaken in September 2015. The purpose of these surveys is to obtain the views and opinions of a broad range of shareholders and non-shareholders.

The Remuneration Committee undertakes detailed consultation exercises with a selection of major institutional shareholders and institutional investor bodies as part of its comprehensive review of executive director and senior management remuneration arrangements within the group.

The board believes that these methods, taken together, are a practical and efficient way for all our directors to keep in touch with shareholder opinion and views and to reach a balanced understanding of major shareholders' objectives, issues and concerns.

While the board recognises that the company is primarily accountable to its shareholders, it also recognises the contribution made by other providers of capital and confirms its interest in listening to their views, where relevant, to the company's overall approach to governance.

Compliance with the UK Corporate Governance Code

Code provision E.1.1 states that the Senior Independent Director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders. We have not complied with this provision throughout the year. The board considers, and has done for a number of years, that there are appropriate mechanisms in place to listen to the views of shareholders and communicate them to the board without it being necessary for the Senior Independent Director to attend meetings with major shareholders. He is, however, available to attend any such meetings if requested by shareholders. The board believes that this approach is consistent with the relevant main principle of the Code on dialogue with shareholders, to which Code provision E.1.1 relates, and is consistent with good governance and the promotion of delivery of the company's objectives.

Annual General Meetings

The AGM is an important part of effective communication with shareholders. Our AGM takes place in London. Notice is sent to shareholders at least 20 working days beforehand and is published on our website. The circular sent to shareholders with the notice aims to set out a balanced and clear explanation of each proposed resolution.

All directors who are able to attend our AGMs do so. In 2014 the entire board attended. Our board welcomes the opportunity for face to face communication with our shareholders. Shareholders are encouraged to participate and all directors are available to answer questions, formally through the Chairman during the meeting and informally afterwards.

At the AGM we propose separate resolutions on each substantially separate issue. For each resolution, shareholders may direct their proxy to vote either for or against or to withhold their vote. The proxy form and the announcement of the results of a vote make it clear that a 'vote withheld' is not legally a vote and is not counted in the calculation of the proportion of the votes cast. All valid proxy appointments received are recorded and counted.

All resolutions at the AGM are decided on a poll rather than on a show of hands and poll voting is carried out by electronic means. The results of the poll are announced as soon as possible and posted on our website. This shows votes for and against as well as votes withheld.

Our 2015 AGM will be held on 22nd July 2015. The notice, together with an explanation of the resolutions to be considered, is set out in a circular to shareholders.