

Taskforce on Climate-related Financial Disclosures

This year we have continued to embed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into our management and reporting frameworks.

Our leadership team owns our sustainability 'journey' and they have engaged the global sustainability consultancy Environmental Resources Management (ERM Ltd) to undertake a robust review of JM's internal processes and external reporting against the TCFD framework to help us align it with best practices by the end of 2021. The review includes a detailed assessment of JM's approach to identifying and managing both risks and opportunities related to the low carbon transition and physical climate change. ERM will also evaluate JM's climate scenarios and how they are used to assess the potential implications for our business strategy. Adapting to climate change is an ongoing journey. We will continue to integrate it into our strategy, systems and processes and will be ready to be fully compliant with upcoming UK regulation on TCFD reporting for our annual report 2022.

Here is a summary of our current progress under each of the **four pillars** of the TCFD framework:

1. Governance of climate-related impacts

The board is responsible for oversight of our strategic direction and progress against our strategic priorities to ensure we are positioned to deliver long term sustainable business performance. During discussions on strategy, the board considers the market drivers we are exposed to in our diverse business portfolio, including market responses to climate change, the resulting opportunities and challenges that can impact our business strategies and how we are responding. A number of board sub committees play a key role in determining how JM governs climate change.

+ Read more: [Corporate Governance report pages 108 to 121](#)

In May 2021 the board set up the **Societal Value Committee** to provide direction and oversight of our ESG strategy, goals and performance against targets, which includes our climate management activities. The committee is chaired by an independent director, Jane Griffiths, and will meet three times per year. This committee will review the governance of all aspects of climate change across JM, include implementing the TCFD recommendation. During 2021/22 the committee will consider the benefit to JM of setting an internal price of carbon.

+ Read more: [Societal Value Committee on pages 107 and 112](#)

The **Audit Committee** supports the board and the Group Management Committee (GMC) by conducting regular reviews of our risk processes, and controls against our principal risks. As part of this work they will ensure that our disclosures are aligned with the requirements of TCFD in 2022.

+ Read more: [Audit Committee Report on pages 126 to 135](#)

The **Remuneration Committee** implements our Remuneration Policy approved by shareholders at our annual general meeting in 2020, where we committed to introduce a third performance that focuses on sustainability into our long term incentive plan. This metric will represent no more than one third of the overall award and will be included in awards from August 2022. In order ensure we prepare for this change we will be running a small trial in 2021.

+ Read more: [Remuneration Report pages 136 to 163](#)

The **Group Management Committee** is responsible for implementing the sustainability strategy and programme and ensuring the delivery of our net zero commitment and other sustainability goals and targets.

During the year we appointed a new Chief Environment, Health and Safety & Operations Officer, who is the GMC member with overall accountability for delivery of sustainability strategy and climate change targets. He chairs the newly formed Sustainability Council, an internal council of business sector and functional leaders who advise on adjustments to the sustainability programme and strategy, and who drive the internal focus on delivering our sustainability goals, including those related to climate management. The Sustainability Council is responsible for ensuring we deliver on our net zero commitments and science based greenhouse gas (GHG) reduction targets.

2. Climate strategy

During the year a substantial business review has been undertaken to identify climate related opportunities for JM over the next decade.

+ Read more: [Our strategy on pages 24 and 25](#)

Transition risks

Our largest transition risk is the rate at which the automotive powertrains will transition from internal combustion engine vehicles to battery electric and fuel cell vehicles. We are carefully managing the transition as tighter regulations for vehicle tailpipe emissions are debated to ensure we maintain a profitable business in autocatalysts for as long as the market requires these products. At the same time we are developing our new businesses in high performance cathode active materials for electric vehicles, membrane electrode assembly components for fuel cell vehicles and technology for hydrogen production used to power those vehicles, in order to be prepared for the transition at whatever pace it occurs. We are also investing in a broader portfolio of low carbon solutions linked to clean energy, decarbonising chemicals production and circularity.

+ Read more: [Technologies to drive down transport emissions on pages 4 and 5](#)

+ Read more: [Clean energy, decarbonising chemicals production and circularity on pages 6 to 11](#)

The rate and extent of change in our key markets in response to climate change is the subject of extensive ongoing scenario planning. We have developed four in house scenarios for the mobility sector, including one which is closely aligned with the 2DS scenario of the Paris agreement; other scenarios are aligned with rates of market evolution informed by customer announcements and driven by progressive tightening of regulatory standards, and we also include a 'business as usual' scenario. We have also taken into account the variance of regulatory tightening in different geographies and other market factors such as car sharing and urbanisation.

Physical risks

Climate change increases the risk of extreme weather events which can impact our operations or supply chains. We manage this disruption via our business continuity plans which detail actions and alternate supply routes for various situations. We have completed an assessment of climate risk on all our facilities in partnership with our insurance providers. Where there is an exposure to extreme weather events, such as hurricanes on the eastern seaboard of the USA, we have designated shelter areas for employees. The impact of climate change on water availability is also important and we periodically assess our sites for water risks using the World Resources Institute's Water Risk Atlas tool.

+ [Read more: Managing water responsibly on page 69](#)

3. How we manage climate-related risks

Climate change is incorporated into our risk management process as a driver of certain principal risks, especially 'Future growth', 'Environment, health and safety' and 'Asset failure' and is considered when compiling those risks. We recognise that effective management of climate change risks is crucial to deliver our growth strategy and inspire confidence in our stakeholders. Our risk governance framework is described in detail on page 90.

+ [Read more: Risk and uncertainties on pages 88 to 96](#)

+ [Future growth risk on page 92, Environment, health and safety risk on page 93 and Asset failure risk on page 95](#)

Our programme of work with ERM will particularly focus on how to ensure climate risk is integrated into our overall risk management framework.

4. Metrics and targets to manage climate-related impacts

Johnson Matthey is committed to net zero by 2040 across its GHG footprint. In April 2021 we joined the Business Ambition for 1.5C and committed to setting science based GHG reduction targets for Scope 1, 2 and 3. Our proposed targets for 2030 and baseline performance are outlined in our sustainability goals table on page 63 and we will proceed with independent verification of these targets according to the SBTi methodology during the next year. In addition, we will continue to monitor our progress towards our renewable energy target, where 60% of our electricity must be certified renewable by 2025, and our progress towards our reduction in net water usage.

+ [Read more: Renewable energy on page 68](#)

+ [Read more: Managing water responsibly on page 69](#)

We have disclosed our GHG performance against all Scope 3 categories for the first time on page 267. We developed our Scope 3 methodology during 2020 in partnership with third party experts Avieco Ltd. As part of the launch of our revised Supplier Code of Conduct and supplier relationship management programme during 2021, we will launch activities to engage with our suppliers on the subject of net zero target setting and building understanding of their contribution to JM's goals.

It remains the case that the greatest contribution Johnson Matthey makes towards combating climate change is through the positive impact of the products we make when in use with our customers and consumers. A key pillar of our business strategy is investing in growth opportunities targeting climate change and circularity. As such, we will also be setting ambitious targets to increase the positive impact our products have on the carbon footprint of our customers.

+ [Read more: Products and services for a cleaner, healthier world on pages 64 and 65](#)