



# Governance

The Governance section, introduced by our Chairman, contains the Corporate Governance Report and details about the activities of the board and its committees during the year.

It also contains the Directors' Report and the statement on responsibilities of directors.





## Contents

100	Board of Directors
104	Letter from the Chairman
106	Corporate Governance Report
119	Nomination Committee Report
123	Audit Committee Report
132	Remuneration Report
151	Directors' Report
155	Responsibilities of Directors

# Board of Directors

## One team

An experienced team delivering our strategic vision.



### Patrick Thomas – Chairman

Appointed to board: June 2018

#### Experience and contribution

Between 2015 and May 2018 Patrick was Chief Executive Officer and Chairman of the Board of Management of Covestro AG. Between 2007 and 2015 he was also Chief Executive Officer of its predecessor, Bayer MaterialScience, prior to its demerger from Bayer AG. He is a fellow of the Royal Academy of Engineering.

Patrick has deep experience of leading international specialty chemical businesses. He also brings a track record of driving growth through science and innovation across global markets.

#### Other current appointments

Non-Executive Director at Akzo Nobel N.V and Aliaxis S.A. and a member of the advisory board of Deutsche-Africa Linien Hamburg, and a Council Member of Gerson Lehrman Group Network.

#### International experience

Belgium, Germany, UK

#### Sector experience

Automotive, Chemicals, Manufacturing, Oil and Gas, Pharmaceuticals, Technology



### Robert MacLeod – Chief Executive

Appointed to board: June 2009

#### Experience and contribution

Robert was appointed as Chief Executive in June 2014. He joined Johnson Matthey as Group Finance Director in 2009. Previously he was Group Finance Director of WS Atkins plc and a Non-Executive Director at Aggreko plc. He is a Chartered Accountant with a degree in Chemical Engineering.

Having been with JM for 10 years and as Chief Executive for 5 years, Robert has a proven track record of delivering success and driving change for the organisation. He has strong experience across JM, its culture and its markets and as Chief Executive, has led our Health and New Markets teams.

#### Other current appointments

Non-Executive Director at RELX PLC.

#### International experience

UK, US

#### Sector experience

Chemicals, Oil and Gas, Professional Services



### Anna Manz – Chief Financial Officer

Appointed to board: October 2016

#### Experience and contribution

Anna joined Johnson Matthey as Chief Financial Officer in October 2016. Previously she was Group Strategy Director and a member of the Executive Committee at Diageo plc. During 17 years at Diageo, Anna held a series of senior roles, including Finance Director Spirits North America, Group Treasurer and Finance Director Asia Pacific. Anna is a qualified management accountant with a degree in Chemistry.

Anna has strong credentials in financial leadership and brings international experience and deep commercial awareness to the board. She also leads the group's activities in respect of our risks and controls and has been at the centre of the work to drive efficiency and effectiveness across our business.

#### Other current appointments

Non-Executive Director at ITV plc.

#### International experience

China, India, Ireland, Kenya, Korea, Nigeria, Singapore, UK, US

#### Sector experience

Chemicals, Consumer, Media



### Alan Ferguson – Senior Independent Director

Appointed to board: January 2011

#### Experience and contribution

Alan was appointed a Non-Executive Director in January 2011 and as Senior Independent Director in July 2014. Previously he was Chief Financial Officer and a Director of Lonmin Plc. Prior to this he was Group Finance Director of The BOC Group plc. Before joining BOC, he worked for Inchcape plc for 22 years and was Group Finance Director from 1999 until 2005. From 2011 to 2018 he was a Non-Executive Director and Chairman of the Audit Committee at The Weir Group PLC. He is a Chartered Accountant and sits on the Business Policy Panel of the Institute of Chartered Accountants of Scotland.

Alan brings recent and relevant financial experience to the board, making him ideally suited to chairing the Audit Committee and acting as its financial expert. He also brings experience of the precious metals and automotive sectors.

#### Other current appointments

Non-Executive Director of AngloGold Ashanti Limited. Non-Executive Director, Chairman of the Audit Committee and Senior Independent Director at Croda International Plc and Marshall Motor Holdings plc.

#### International experience

South Africa, UK

#### Sector experience

Automotive, Chemicals, Manufacturing, Metals and Mining



N A R

### Key

Chairman of the Committee

N Member of the Nomination Committee

A Member of the Audit Committee

R Member of the Remuneration Committee



### John Walker – Sector Chief Executive, Clean Air

Appointed to board: October 2013

#### Experience and contribution

John joined Johnson Matthey in 1984 and was appointed Division Director, Emission Control Technologies in 2009 after holding a series of positions within the division in the US, Asia and Europe. He was appointed Executive Director, Emission Control Technologies in October 2013 (subsequently renamed Clean Air Sector in April 2017).

John therefore has a wealth of experience and knowledge of the automotive market as well as the wider JM group. He also brings broad international experience to the board, from a variety of geographies.

#### International experience

Australia, China, France, Germany, India, Japan, Malaysia, UK, US

#### Sector experience

Automotive, Chemicals, Manufacturing



N A R

### Odile Desforges – Non-Executive Director

Appointed to board: July 2013

#### Experience and contribution

Odile's automotive industry experience began with the French Government's Transport Research Institute and developed with Renault SA and AB Volvo. She was previously Chairman and Chief Executive Officer of the Renault-Nissan Purchasing Organization (RNPO) and most recently, until 2012, as Executive Vice President, Engineering and Quality at Renault. She was appointed a Knight of the French Legion of Honour in 2009.

Odile has a long and distinguished career in the automotive industry. She brings executive experience in purchasing, product planning, development and engineering to the board.

#### Other current appointments

Non-Executive Director of Safran SA, Dassault Systèmes, Imerys and Faurecia.

#### International experience

France, Japan, Sweden, UK

#### Sector experience

Aerospace, Automotive, Battery Technologies, Defence, Manufacturing, Technology

### Xiaozhi Liu – Non-Executive Director

Appointed to board: April 2019

#### Experience and contribution

Xiaozhi is the founder and Chief Executive of ASL Automobile Science & Technology, a position she has held since 2009. She is also a Non-Executive Director of Autoliv Inc, an automotive safety supplier, and Fuyao Glass Industry Group Co., Ltd, a glass manufacturing company in China.

Xiaozhi has deep knowledge and perspective on technology driven businesses in China and globally, and brings strong experience of the automotive sector, particularly in China, as well as in Europe and the US.

#### Other current appointments

Chief Executive of ASL Automobile Science & Technology, Non-Executive Director of Autoliv Inc, Fuyao Glass Industry Group Co., Ltd and InBev SA/NV.

#### International experience

China, Sweden, US

#### Sector experience

Automotive, Battery Technologies



N A R

As at the date of approval of this annual report, the Board of Directors of Johnson Matthey is as detailed on pages 100 to 102. Tim Stevenson retired as Chairman on 26th July 2018.

## Board of Directors continued



### John O'Higgins – Non-Executive Director

Appointed to board: November 2017

#### Experience and contribution

John was previously Chief Executive of Spectris plc, a position he held from January 2006 to September 2018. Prior to this he worked for Honeywell in a number of management roles, including as president of automation and control solutions, Asia Pacific. He began his career as a design engineer at Daimler-Benz in Stuttgart. Between 2010 and 2015, John was a Non-Executive Director of Exite Technologies Inc.

John brings extensive business and industrial experience to the board, including experience of battery technologies. He has a track record of portfolio analysis and realignment, driving growth both organically and through mergers and acquisitions, as well as improving operational efficiencies.

#### Other current appointments

Havelock Acquisitions Limited, Trustee of the Wincott Foundation.

#### International experience

Belgium, China, Germany, UK, US

#### Sector experience

Automotive, Chemicals, Energy, Manufacturing, Oil and Gas, Technology



### Chris Mottershead – Non-Executive Director

Appointed to board: January 2015

#### Experience and contribution

Chris is Senior Vice President of Quality, Strategy and Innovation at King's College London and Director of King's College London Business Limited. Prior to joining King's College in 2009, Chris had a 30 year career at BP, most recently as Global Advisor on Energy Security and Climate Change. Before this, he was Technology Vice President for BP's Global Gas, Power and Renewables businesses. He is a Chartered Engineer and Fellow of the Royal Society of Arts.

Chris brings a wealth of relevant industrial and academic knowledge to the board, as well as experience in energy technology and related global sustainability issues. As Chair of the Remuneration Committee, Chris is a sounding board for JM's Human Resources function.

#### Other current appointments

Non-Executive Director of The Carbon Trust and TEDI London.

#### International experience

UK, US

#### Sector experience

Energy, Oil and Gas, Technology



### Key

Chairman of the Committee

Member of the Nomination Committee

Member of the Audit Committee

Member of the Remuneration Committee

### Jane Griffiths – Non-Executive Director

Appointed to board: January 2017

#### Experience and contribution

Jane is currently Global Head of Actelion, a Janssen pharmaceutical company of Johnson & Johnson (J&J). Since joining J&J in 1982 Jane's roles have included international and affiliate strategic marketing, sales management, product management, general management and clinical research. Jane is Director and Chair of the J&J Corporate Citizenship Trust in EMEA, and a sponsor of the J&J Women's Leadership Initiative.

Jane brings significant experience and understanding of the management of global strategy to the board, particularly across the pharmaceutical sector, together with a strong interest in diversity.

#### Other current appointments

Director of Johnson & Johnson Innovation Limited.

#### International experience

Africa, Europe, Middle East, UK

#### Sector experience

Pharmaceuticals



### Simon Farrant – General Counsel and Company Secretary

Joined Johnson Matthey: 1994

#### Experience

Appointed Company Secretary in 1999 and Group Legal Director in 2007. He is a Solicitor and Attorney and Counselor-at-Law (State of New York).

## The board at a glance

### Attendance

	Role	Date of appointment to board	Number of meetings eligible to attend	Number of meetings attended	% attended
Patrick Thomas	Chairman	1st June 2018 <sup>1</sup>	9	9	100%
Tim Stevenson	Chairman	29th March 2011 <sup>2</sup>	4 <sup>3</sup>	4	100%
Robert MacLeod	Chief Executive	22nd June 2009 <sup>4</sup>	11	11	100%
Odile Desforges	Non-Executive Director	1st July 2013	11	10 <sup>5</sup>	91%
Alan Ferguson	Non-Executive Director	13th January 2011	11	11	100%
Jane Griffiths	Non-Executive Director	1st January 2017	11	11	100%
Anna Manz	Chief Financial Officer	17th October 2016	11	11	100%
Chris Mottershead	Non-Executive Director	27th January 2015	11	10 <sup>5</sup>	91%
John O'Higgins	Non-Executive Director	16th November 2017	11	11	100%
John Walker	Executive Director	9th October 2013	11	10 <sup>6</sup>	91%

<sup>1</sup> Patrick Thomas was appointed Chairman of the board on 26th July 2018.

<sup>2</sup> Tim Stevenson was appointed Chairman of the board on 19th July 2011.

<sup>3</sup> Tim Stevenson retired from the board on 26th July 2018.

<sup>4</sup> Robert MacLeod was appointed Chief Executive on 5th June 2014.

<sup>5</sup> Odile Desforges and Chris Mottershead were unable to attend one ad hoc meeting of the board, which was arranged at short notice to consider the appointment of Xiaozhi Liu as a Non-Executive Director of the company. Both were provided with papers in advance and had the opportunity to pass on any comments to the Chairman ahead of the meeting.

<sup>6</sup> John Walker was unable to attend one board meeting held by telephone due to personal commitments.

Since the end of the year, the board has met twice and all board members attended both meetings, including Xiaozhi Liu following her appointment in April 2019.

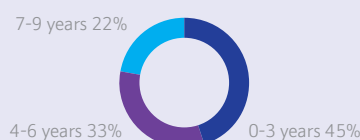
The attendance of members at committee meetings in the year is set out in the Nomination Committee Report, the Audit Committee Report and the Remuneration Report (in respect of the Remuneration Committee) on pages 120, 124 and 142 respectively.

### Diversity as at 31st March 2019

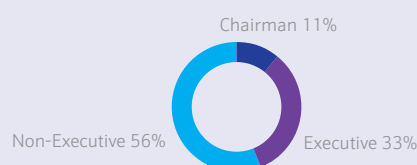
#### Gender diversity

Male **67%** Female **33%**

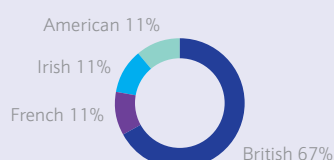
#### Tenure



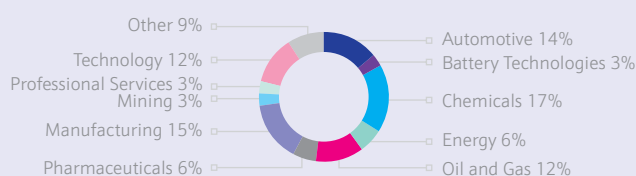
#### Role



#### Nationality



#### Industry experience



#### Non-Executive Director skills

Leadership <b>6</b>	Finance <b>6</b>	Health and safety <b>4</b>	People <b>5</b>
Strategy <b>6</b>	Risk <b>5</b>	Commercial <b>6</b>	Technology <b>4</b>

The above table shows some of the skills held by our Non-Executive Directors following a self-assessment, whereby each Non-Executive Director was asked to identify their areas of strength.

+ Further information is set out in each director's biography on pages 100 to 102

+ You can read more about our board's skills matrix in the Nomination Committee report on page 121

# Letter from the Chairman

## Evolve

and grow the company  
effectively with a  
world class board.



Patrick Thomas  
Chairman

On behalf of the board, I am pleased to present my first Corporate Governance Report as Chairman of Johnson Matthey. The board is accountable to shareholders for good governance and this section of the annual report provides you with an insight into how the board operates, our corporate governance structures and processes and their effectiveness throughout the year ended 31st March 2019.

A board with strong leadership and a framework of effective controls and risk management is key to the success of a company. We have taken steps to refresh the board's leadership during the year, resulting in the appointment of Xiaozhi Liu and we will welcome Doug Webb to the board in September 2019. I am committed to maintaining high standards of corporate governance and I welcome the Financial Reporting Council's recent changes to the UK Corporate Governance Code. As a board, we have reviewed the requirements of the UK Corporate Governance Code 2018 and plans are in place to ensure compliance for 2019/20.

The board has an important role in defining the culture of the group and understanding the current culture provides a deeper insight into the organisation. I have found the culture at Johnson Matthey to be open, engaged and innovative. My board colleagues and I share a common purpose in leading by example and acting with integrity, in order to demonstrate the values and behaviours that make JM a company to be proud of.

My role is to ensure that Johnson Matthey has a board which works effectively under my leadership and I am pleased to say that one year into my term, I believe we have an effective board. I have encouraged open and constructive debate at our meetings, to enable the board to develop JM's strategy and support its operations, customers and people. You can read more about our board's effectiveness on pages 114 to 115. I have now met with approximately 30% of our shareholding and I am committed to engaging with our shareholders and all our stakeholders. I look forward to meeting more of you in the year ahead.

### The UK Corporate Governance Code

In this annual report we are reporting against the Financial Reporting Council's UK Corporate Governance Code 2016 requirements. We report on how we have applied its main principles and complied with its relevant provisions. Except in one respect (which is explained on page 118), Johnson Matthey has complied with all relevant provisions throughout the year ended 31st March 2019 and from that date up to the date of approval of this annual report. Next year, we will report against the requirements of the UK Corporate Governance Code 2018.

Patrick Thomas  
Chairman

## UK Corporate Governance Code

The UK Corporate Governance Code 2016 (the code) sets standards of good practice in relation to leadership, effectiveness, remuneration, accountability and relations with shareholders. This Corporate Governance Report is structured to report against these principles of the code. Together with the Nomination Committee Report, the Audit Committee Report and the Remuneration Report, it describes how we have complied with the relevant provisions of the code and applied its main principles during the year.

### + Leadership

- 108 Company purpose
- 108 Governance framework
- 110 Principal board activities
- 112 Culture

### + Effectiveness

- 112 Our board's composition
- 112 Independence of the Non-Executive Directors
- 112 Succession planning
- 112 Directors' induction and development
- 113 Terms of appointment of the Non-Executive Directors
- 113 Diversity
- 113 Time commitment of the Chairman and the Non-Executive Directors
- 113 Directors' conflicts of interest
- 114 Evaluation of the board, board committees and directors
- 115 Review of the Chairman's performance
- 115 Review of the Executive Directors' performance
- 115 Annual re-election of directors

### + Remuneration

### + Accountability

- 115 Fair, balanced and understandable reporting
- 116 Risk management and internal control
- 116 Review of effectiveness of the group's risk management and internal control systems
- 116 The Audit Committee
- 116 Viability statement
- 117 Stakeholders

### + Relations with shareholders

- 118 Dialogue with our shareholders
- 118 Reporting of results and Capital Markets Day
- 118 Annual General Meetings
- 118 Asset reunification
- 118 Share capital
- 118 2019 AGM
- 118 Compliance with the UK Corporate Governance Code 2016

## Governance highlights

In our Corporate Governance Report you will see key steps we have taken on:

- Board succession planning.
- Internal evaluation of the board and its committees.
- Welcoming a new auditor.

## The board's focus this year

- Refining strategy and investing in its execution.
- Environment, health and safety (EHS) matters.
- Supporting the new Chairman.

## The board's focus areas for 2019 / 20

- Culture.
- Continued focus on EHS.
- Execution of strategic priorities.
- Sustainability.
- Continued monitoring of financial performance.
- Reviews of principal risks.



# Corporate Governance Report

## Introduction

Our board is responsible to our shareholders for setting a strategy that delivers the company's purpose, underpinned by values and behaviours that shape the culture and the way JM conducts its business. An appropriate and well managed governance framework is integral to this. The key elements of our governance framework and associated processes are set out in this report.

## Getting to know the business

In order for our directors, particularly our Non-Executive Directors, to effectively discharge their responsibilities, it is critical that they understand our businesses.

The activities outlined below enable our 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 stakeholders. They also provide an opportunity to meet with and hear the views of employees. Through these activities, the board develops a sound and balanced insight into the group, which supports it in its role to provide entrepreneurial leadership and set strategy.

### Strategic review

Throughout the year we review the delivery against strategy of our sectors. These sessions are attended by the relevant Sector Chief Executive and, where appropriate, other sector senior management. They give the board an opportunity to discuss and challenge the strategic direction of our business.

The board also reviews our key group functions. These reviews are attended by the relevant functional head and enable the board to assess the strength of these functions and their ability to support the delivery of the group's strategic objectives.

### Teach-ins

Periodically, we hold business 'teach-ins' for our board. These are separate from board meetings and are attended by a range of managers from the relevant business. They are designed to give the board a more in depth insight into our businesses and their customers than is possible during board meetings. This deeper understanding enhances our Non-Executive Directors' ability to challenge, debate and contribute to strategy at board meetings.

During the year the board received a teach-in on the management of our company's and our customers' precious metal.

## Our financial calendar

2019

April	May	June	July	August	September
	<b>30th May</b> Announcement of results for year ended 31st March 2019	<b>6th June</b> Ex dividend date  <b>7th June</b> Final dividend record date	<b>17th July</b> 128th Annual General Meeting (AGM)	<b>6th August</b> Payment of final dividend subject to declaration at the AGM	<b>19th September</b> Capital Markets Day

## Site visits

The board holds two board meetings each year at operational sites. As part of this, the board tours the site and receives presentations from management on the business, including its successes and challenges. Enabling the board to see our operations on the ground and to meet the teams allows our directors to hear first hand about customers, business issues, risks and strategy as well as environment, health and safety and sustainability.

Our Non-Executive Directors also undertake visits to our sites independent of the Executive Directors, either individually or collectively, to further enhance their knowledge and understanding, meeting with management and other employees.

### Chilton (April 2018)

The board visited our site in Chilton, UK and toured the new Battery Materials pilot plant.

### Scotland (October 2018)

The board met with local management at our Health sites in both Edinburgh and Annan. The tours of two sites with differing technology enabled the board to gain further insight into our manufacturing processes.

### China (April 2019)

The board received presentations on our Clean Air and Efficient Natural Resources strategies in China and toured plants in Songjiang (Shanghai) and Zhangjiagang.



## Meeting with the workforce

As part of the board site visits, the board meets with employees over lunch and dinner, providing an opportunity for open discussion. This gives the board insight into our culture.

### Leadership conference (April 2019)

The Chairman attended for part of our 2019 leadership conference, which gave him an opportunity to get a feel for the group's culture, hear more about JM's priorities in action and meet employees from across all our sectors and functions.

## 2020 (provisional)

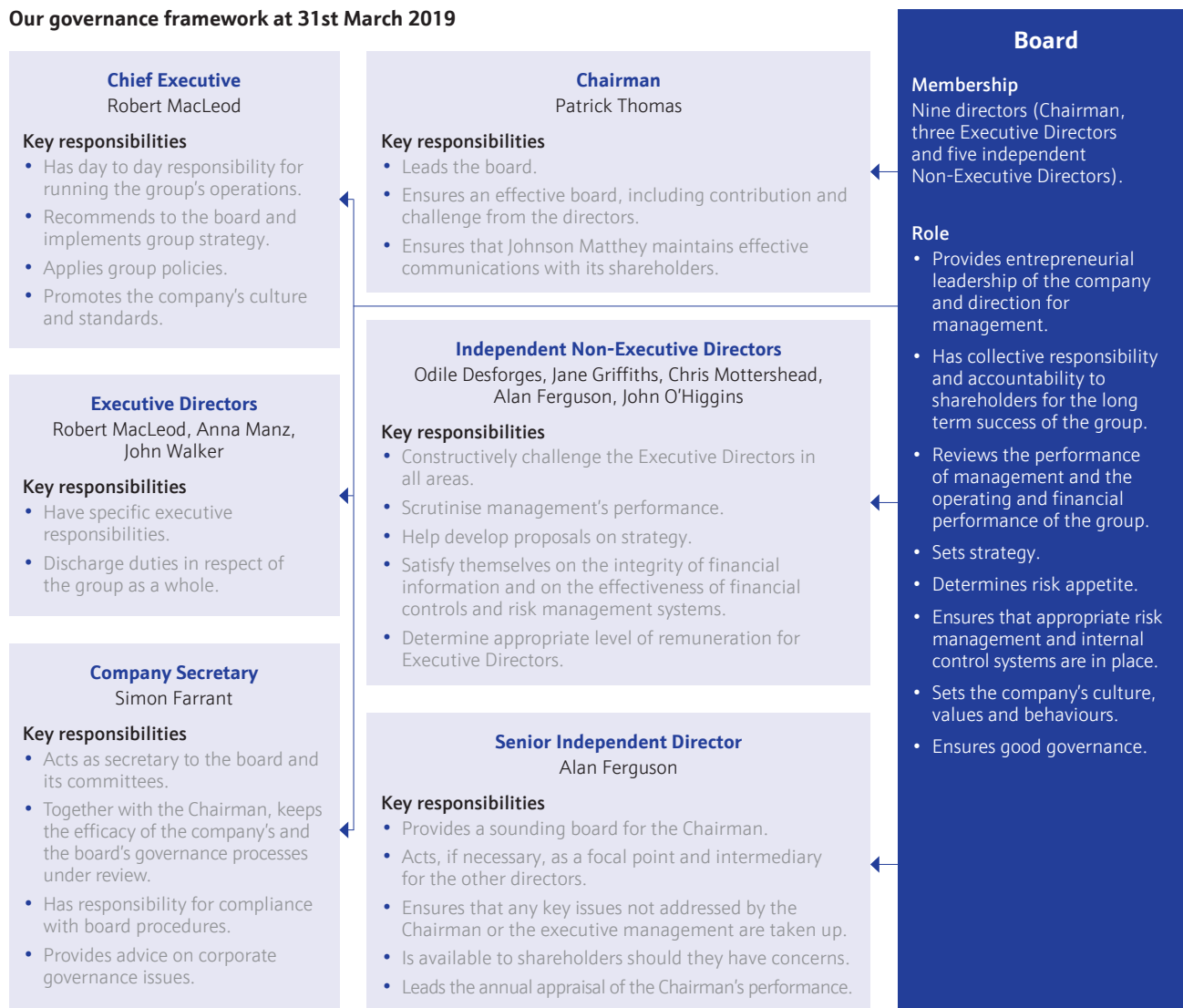
October	November	December	January	February	March
	<b>21st November</b> Announcement of results for the six months ending 30th September 2019  <b>28th November</b> Ex dividend date  <b>29th November</b> Interim dividend record date			<b>4th February</b> Payment of interim dividend	



# Corporate Governance Report continued

## Leadership

### Our governance framework at 31st March 2019



### Company purpose

Johnson Matthey's vision is for a world that is cleaner and healthier; today and for future generations. JM uses its position as a global leader in sustainable technologies to create solutions for our customers that make a real difference to the world around us. To deliver this, the board has set its strategy through four sectors which, enabled by our science, create long term value for our shareholders. This is underpinned by the values and behaviours that shape the culture and the way we conduct business.

### Governance framework

JM's corporate governance framework and processes support the execution of strategy by clarifying roles and responsibilities, providing a mechanism for decision making ensuring that risk is appropriately managed and is supported by an internal control framework.

The group's principal decision making body is the board. It is accountable to shareholders for the group's financial and operational performance and has responsibility for setting the group's strategic direction and for ensuring that the group manages risk effectively. The board is supported by three principal committees: the Nomination Committee, the Audit Committee and the Remuneration Committee.

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) as outlined on page 13. There is a clear division of responsibilities between the running of the board and the executive responsibility for running the business. The board has identified certain matters which only it can approve. These are set out in a schedule of matters reserved for the board. The Chairman's and

Chief Executive's roles are separate, and this division of responsibilities is clearly established in a written statement within our corporate governance framework, which is available on our website.

The GMC is responsible for managing business performance, delivery of strategy and mitigating risks. It meets six times a year and most weeks for informal discussions on day to day matters. The GMC is supported by five sub-committees – the Environment, Health and Safety Leadership Committee, the OneJM Policy Committee, the Finance and Administration Committee, the Legal Risk Committee and the Metal Steering Committee. For further details on these committees, please refer to our corporate governance framework.

[matthey.com/corporate-governance](https://www.matthey.com/corporate-governance)

**Audit Committee****Membership**

Five independent Non-Executive Directors.  
Chaired by Alan Ferguson.

**Role**

- Assists the board in carrying out its oversight responsibilities in relation to financial reporting, internal controls and risk management.
- Maintains an appropriate relationship with our external auditor, including recommending reappointment or a requirement to tender.

+ See page 123 for more information

**Disclosure Committee****Membership**

The Chief Executive, Chief Financial Officer and the Company Secretary.  
Chaired by Robert MacLeod.

**Role**

- Identifies and controls inside information or information which could become inside information.
- Determines how or when that information is disclosed in accordance with applicable legal and regulatory requirements.

**Nomination Committee****Membership**

Five independent Non-Executive Directors and the group Chairman.  
Chaired by Patrick Thomas.

**Role**

- Considers structure, size, composition, diversity and succession needs of the board.
- Oversees succession planning for senior executives.

+ See page 119 for more information

**Ethics Panel****Membership**

The Company Secretary and three executive heads of functions.  
Chaired by Simon Farrant.

**Role**

- Oversee the concerns raised pursuant to the Speak Up Policy, including the effective review and investigation of these concerns.

**Remuneration Committee****Membership**

Five independent Non-Executive Directors and the group Chairman.  
Chaired by Chris Mottershead.

**Role**

- Sets remuneration policy for Executive Directors, Senior Management and the Chairman and determines the application of that policy.
- Reviews and monitors the level and structure of remuneration for senior executives.

+ See page 132 for more information

**Group Management Committee****Membership**

Chief Executive, Chief Financial Officer, Sector Chief Executives, Chief HR Officer, Chief Technology Officer, Chief EHS and Operations Officer and General Counsel and Company Secretary.

Chaired by Robert MacLeod.

**Role**

- Responsible for the executive management of the group's businesses.
- Recommends strategic and operating plans to the board.

**Environment, Health and Safety (EHS) Leadership Committee**

Chaired by Chief EHS and Operations Officer.

**Role**

Assists the company in discharging its EHS responsibilities and in creating a positive EHS culture across the group.

**OneJM Policy Committee**

Chaired by General Counsel and Company Secretary.

**Role**

Sets a policy framework for the group and oversees and approves Johnson Matthey group policies.

**Finance and Administration Committee**

Chaired by Chief Financial Officer.

**Role**

Responsible for certain of the group's finance and corporate restructuring matters.

**Legal Risk Committee**

Chaired by General Counsel and Company Secretary.

**Role**

Reviews contract and litigation risk for the group.

**Metal Steering Committee**

Chaired by Chief Financial Officer.

**Role**

Manages the risk and mitigating actions in relation to the company's precious metal.



# Corporate Governance Report continued

## Principal board activities

Each year the company undertakes a bottom to top strategic planning exercise in order to review the components of each sector's strategy that contribute to the group's long term strategy. This process allows the board to discuss the business model, review market trends, consider how the group is equipped to manage and respond to risks and opportunities and ensure that resources are appropriately allocated in order to create value for our shareholders. The board sets its annual agenda plan by reference to its strategy, ensuring there is sufficient time to discuss and develop strategic proposals and monitor performance.

Our board met 11 times during the year, seven times in person and four times by telephone. Since the end of the financial year, the board has met twice. The attendance of members at board meetings during the year is set out on page 103. Individuals' attendance at board and board committee meetings is considered, as necessary, as part of the formal annual review of their performance.

During the year and up to the date of approval of this annual report, the board focused on a number of specific areas which are outlined in the table to the right. Links to the group's principal risks as set out on pages 93 to 96 are also highlighted in the table.

+ Pages 14 to 17: Our strategy

+ Pages 91 to 96: Risks and uncertainties

+ Pages 28 to 29: Our stakeholders

## Areas of focus for 2019/20 are expected to include:

- Our culture.
- Continued focus on EHS.
- Execution of our strategic priorities.
- Sustainability.
- Continued monitoring of financial performance.
- Reviews of our principal risks.

## Role of the board



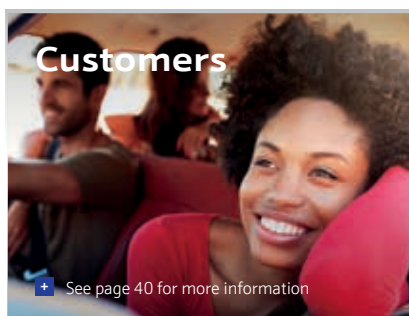
### Science

+ See page 34 for more information

To set the company's strategic aims and to take responsibility for the long term success of the company.

To approve major capital projects.

To ensure the long term success of the company.



### Customers

+ See page 40 for more information

To ensure that the needs of our customers are integral to our strategy.

To ensure the long term success of the company.  
To maintain oversight of the group's financial performance.

To establish transparent arrangements to apply corporate reporting, risk management and internal controls.



### Operations

+ See page 48 for more information

To ensure that the needs of our customers are integral to our strategy.

To determine the nature and extent of the principal risks and the group's risk appetite.

To facilitate effective, entrepreneurial and prudent management of the business.



### People

+ See page 60 for more information

To establish the culture, values and ethics of the company.

To ensure the board is effective, with an appropriate balance of skills, experience and independence .

To undertake a rigorous annual performance evaluation.

To ensure remuneration promotes the long term success of the company.

## Outcome

### Strategy

- Reviewed the company's strategy and the timeline for key company decisions.
- Reviewed and approved the Clean Air strategy, including investment in India.
- Reviewed and approved the Efficient Natural Resources strategy including investment in our refineries.
- Reviewed and approved the Health strategy, including investment in manufacturing and development facilities in Annan, UK.
- Reviewed and approved the strategy for Battery Materials, including investment in a commercial scale eLNO manufacturing plant in Poland and three customer application centres.
- Reviewed and approved the Fuel Cells strategy, including investment in the UK and China.

### R&D

- Reviewed innovation and endorsed the approach taken to grow and develop the research and development portfolio.

### Efficiency

- Reviewed and approved proposals on our Commercial Excellence programme to capture a fair share of the value we create for customers.

### Financial

- Reviewed and approved group budget and three year plan.
- Approved full year results, half-yearly results and the annual report.
- Approved the group's going concern and viability statements.

### Operational

- Reviewed and approved proposals on our Procurement Excellence programme.
- Reviewed arrangements and actions around the impact of a potential hard Brexit for JM, including how this could affect our customers.
- Reviewed progress on the development and implementation of a groupwide enterprise resource planning (ERP) system.
- Reviewed cyber security and improvement to our infrastructure, including investment in IT systems.
- Received updates on strategic metal.

### Risk

- Reviewed the board's responsibilities in relation to assessing and monitoring risk management and internal control systems.
- Reviewed our principal risks and risk appetite, and agreed mitigating actions and assurance activities.

### Governance

- Reviewed the key features of the UK Corporate Governance Code 2018 and plans to ensure compliance for 2019/20.
- Reviewed the company's compliance with the UK Corporate Governance Code 2016.
- Reviewed and approved a revised group corporate governance framework, including committee terms of reference.
- Recommended to shareholders the adoption of new Articles of Association.
- Reviewed directors' conflicts of interest and Non-Executive Directors' independence.

### Culture

- Reviewed and approved a refreshed global code of ethics – 'Doing the Right Thing'.
- Reviewed EHS performance at each meeting and considered significant incidents, including management responses and actions and the outcome of safety audits.
- Reviewed the responses and action plan following the global employee survey.
- Reviewed the HR function strategy and received an update on the Finance function within JM.
- Received an update on legal, ethics and compliance matters.

### Leadership

- Considered board succession and approved the appointments of Xiaozhi Liu and Doug Webb as a Non-Executive Directors.
- Reviewed the key findings and action plans following the board and committee effectiveness review for 2017/18.
- Undertook an internal review of board and committee effectiveness for 2018/19.

## Principal risks

1	2	3
4	5	6
7	8	9
10	11	12
13		

1	2	3
4	5	6
7	8	9
10	11	12
13		

1	2	3
4	5	6
7	8	9
10	11	12
13		

1	2	3
4	5	6
7	8	9
10	11	12
13		

In undertaking these activities, the board considers its duties as set out in law and the interests of its key stakeholders, including what will promote the success of the company for the benefits of its members.



# Corporate Governance Report continued

## Culture

Through the mix of topics discussed by the board, and the activities referred to on pages 106 to 107, the directors gain an insight into JM's culture, issues and operating environment for the sectors and functions.

During the year, the Chief HR Officer presented JM's people ambition to the board, to be one of the best performing, most trusted and admired speciality chemicals companies in the world. To deliver this ambition, we need a highly engaged, diverse and inclusive workforce, with the best talents across the organisation. The board and senior management are committed to building employee engagement based on our culture and values, where all forms of diversity are valued, to provide challenging work and development opportunities and a proactive infrastructure of support.

Throughout the year, we have heard and seen how our values and desired behaviours as described on page 61 have started to be shared and embedded across the organisation, through presentations to the board, the refreshed code of ethics, visiting sites and meeting with employees. We were also updated on the results of JM's second global employee survey during the year. A culture of high engagement is important to the board and we were pleased to see a high participation rate of 82%.

The 2016 employee survey told us that our people wanted more communication and clarity on our strategy and it was positive to see that the scores on understanding strategy had improved. We were disappointed to see that the overall engagement score had reduced slightly since our 2016 survey and we will maintain oversight of the actions and plans to improve this. During 2018/19 work has already begun to define our culture in further detail, building on our values and to determine the most effective way to regularly monitor culture across the group, including through engagement with the workforce. We will report on this in further detail in our 2020 Annual Report and Accounts.

## Effectiveness

### Our board's composition

As at the date of this annual report, our board comprised the Chairman, three Executive Directors and six independent Non-Executive Directors.

Our board continues to comprise a majority of independent Non-Executive Directors and believes 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 and create long term shareholder value. The size and composition of the board is regularly reviewed by the Nomination Committee.

The board, through the Nomination Committee, follows a formal, rigorous and transparent procedure to select and appoint new board directors.

### Independence of the Non-Executive Directors

The board reviews Non-Executive Director independence annually, most recently at its meeting in May 2019. The board considers all relevant relationships and circumstances, including those defined in the code that could affect, or appear to affect, their independent judgement.

Each of our Non-Executive Directors is determined by the board to be independent in character and judgement and the Chairman was determined to be independent on appointment to the board.

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

## Succession planning

Effective succession planning is fundamental to board effectiveness and the delivery of our strategic plans. 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 develop a strong pipeline of talent.

The board recognises the need to recruit Non-Executive Directors with the right technical skills and sectoral knowledge in order to develop the company's strategy in accordance with its purpose. All Non-Executive Directors must be independent, be prepared to question, challenge and critique in all areas and have the potential to chair our committees. During the year the board, through the Nomination Committee, recruited Xiaozhi Liu, who was appointed as a Non-Executive Director in April 2019, and Doug Webb, who was appointed as a Non-Executive Director and Audit Committee Chair Designate from 2nd September 2019.

Succession plans are prepared for all of our sector and group functions, with support from HR. The GMC reviewed these in detail during the year, including development plans for their teams. These plans were then discussed with the Nomination Committee.

✦ Further details on succession planning can be found in the Nomination Committee Report on page 121

### Directors' induction and development

Johnson Matthey provides full tailored induction programmes for all its new board directors. These are intended to give a broad introduction to the group's businesses and its areas of significant risk. Key elements include meeting the Executive Directors and senior management and visiting the group's major sites in order to gain an understanding of group strategy, individual businesses, key customers and stakeholders.

✦ For details on the Chairman's induction, see page 122

Information on Xiaozhi Liu's and Doug Webb's induction will be reported in our 2020 Annual Report and Accounts.

## Terms of appointment of the Non-Executive Directors

Our Non-Executive Directors are appointed for specified terms, subject to annual election by our shareholders and to the provisions of the Companies Act 2006 (the 2006 Act) relating to the removal of a director. Following review and recommendation from the Nomination Committee, the board approved the extension of Odile Desforges' term of appointment from June 2019 until the end of the company's AGM in July 2019.

The board also approved the extension of Alan Ferguson's term of appointment, which is due to end in January 2020, until the end of the company's AGM in July 2020.

The terms of appointment of the Chairman and Non-Executive Directors at the date of this report are set out in the table below.

## Diversity

Our board believes that diversity is important for board effectiveness and that the board should reflect the diversity of its workforce, shareholders and communities. The board continues to take an interest in diversity at all levels of the group, to create an inclusive culture where diversity is valued. As set out in our Diversity Policy, all appointments to the board are made on merit while taking into account suitability for the role, board balance and composition, the required mix of skills, background and experience. This includes consideration of diversity. The board only engages executive search consultants who have signed up to the Voluntary Code of Conduct for Executive Search Firms to address gender diversity on corporate boards.

To embed diversity and inclusion across the group, management is committed to developing policies and processes that prevent bias in relation to recruitment and promotion, including actively discussing diversity in succession planning and talent management, promoting industrial and scientific careers to women and developing flexible employment policies for everyone.

Diversity is also considered as part of the board effectiveness review, referred to on page 114. For further details on our Diversity Policy, please refer to the Nomination Committee report.

[matthey.com/diversity-policy](https://matthey.com/diversity-policy)

## 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. The minimum time commitment considered by the board to be necessary for a Non-Executive Director, who does not chair a committee, is two days per calendar 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 and are periodically reviewed. The board has put in place procedures to ensure that directors seek prior approval from the board before accepting any additional external appointment or significant commitment. During the year, the board approved an additional external appointment for John O'Higgins, having considered the expected time commitments of the role and his other directorships. After review, the board was comfortable that John could continue to dedicate sufficient time to Johnson Matthey.

[+](#) Details of the directors' other significant commitments can be found on pages 100 to 102

## Directors' conflicts of interest

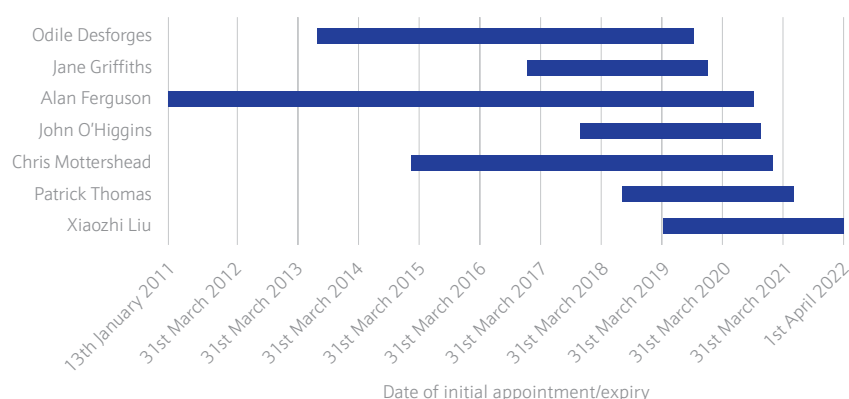
We have established procedures in accordance with our Articles of Association to ensure we comply with the directors' conflicts of interest duties under the 2006 Act and for dealing with situations in which a director may have a direct or indirect interest that conflicts with, or may conflict with, the interests of the company.

In April 2019, the board undertook an annual review of potential conflict matters including in respect of directors' external appointments. In each case, the review was undertaken by directors who were independent of the matter. Prior to her appointment, Xiaozhi told us that she is also a Non-Executive Director at Fuyao Glass Industry Group Co., Ltd, (Fuyao) a global automotive glass manufacturing company in China. Fuyao is a customer of our Advanced Glass Technologies business. The board has considered and authorised this potential conflict of interest in accordance with its Articles of Association and ensured that adequate controls are in place.

All conflicts and potential conflicts 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.

## Chairman and Non-Executive Directors - Terms of appointment as at the date of this report



# Corporate Governance Report continued

## Evaluation of the board, board committees and directors

This year, the Chairman, supported by the Company Secretary, led an internal review of the board and its committees, following an external review by independent consultants, Manchester Square Partners LLP, in 2017/18. An annual review provides opportunities to reflect on the range and effectiveness of our discussions, to consider each director's own contribution and performance, and to identify areas for further improvement.

The review comprised a questionnaire devised by Independent Audit, a specialist corporate governance consultancy, covering certain key topics. The Chairman then held individual discussions with each member of the board, the Company Secretary and the Chief HR Officer regarding the board and its effectiveness. These conversations were open, honest and confidential. The Chairman, with the support of the Company Secretary, compiled the results which were presented to the board for discussion, on an unattributed basis.

Overall, the board is considered to be an effective team, with strong engagement, high participation and a strong basis of openness and trust. Board members feel well supported and the quality of papers to support discussions has improved from previous years. Board committees were considered to be effectively chaired, and to work well, with a clear understanding of relevant issues.

Below, we provide an update on the actions undertaken from the 2017/18 external review and further insight from the 2018/19 review.

	2017/18	2018/19
	Action	Insight and update
<b>Strategy</b>	As part of the 2017/18 review, it was agreed that whilst not losing focus on strategic direction, the board's role should evolve towards refining and monitoring execution of agreed strategies. Sufficient time should be allowed for iterative discussions, including investment decisions, whilst maintaining time for discussing customers, suppliers, talent development, culture and compliance.	<p>The board's agenda plan ensures there is sufficient time for updates from all sectors and functions, to enable an understanding of how strategy is implemented and to monitor capital projects.</p> <p>When areas of the business seek investment, the Chairman, with the support of the Company Secretary, ensures that this is clearly presented in the broader strategic context. This ensures that the board has an opportunity to challenge and seek clarification at an early stage, before approving investment decisions.</p> <p>The 2018/19 review showed that the board values time to consider and debate different scenarios and assumptions in order to refine strategy.</p>
<b>Risk management</b>	This would need to be continuously monitored as the business evolves to ensure early identification and mitigation of emerging risks.	<p>The board has reviewed and challenged each of its principal risks throughout the year and considered emerging risks.</p> <p>The 2018/19 review showed that further work is needed to embed a risk management culture and ensure adequate time is allocated on the board's agenda to consider the 'what ifs' that could impact our business.</p>
<b>Board composition</b>	The 2017/18 review identified the need for further international experience on the board. In considering succession planning, the board would also have regard to other elements of diversity.	<p>During 2018/19, the board developed a skills matrix to provide further insight of the skills and experiences needed to support the board in discharging its responsibilities. This reinforced the need for further international experience on the board, culminating in the appointment of Xiaozhi Liu.</p> <p>The 2018/19 review recognised the board's work on leadership and succession planning during the year.</p> <p>The board will continue to have regard to diversity in all appointments to the board and intends to review its board Diversity Policy during 2019/20.</p>
<b>Board dynamics</b>	As we deliver our strategy, the Non-Executive Directors must continue to further their challenge, support and contribution to the Executives. In this context the board agreed to consider whether more time together and with management would be beneficial.	<p>The board determined that in order to deliver, monitor and challenge strategy, the number of board meetings would be increased, with an additional meeting being held in December. The length of meetings has also been extended to ensure there is sufficient time for full discussion. Board telephone calls were previously held to update the Non-Executive Directors on relevant matters between meetings. These have since been formalised into telephone board meetings with agendas and papers and are used to provide early introductions to strategic topics.</p> <p>The continued use of 'teach-ins' on major business areas, explicitly separated from consideration of strategy, will also support this.</p>
<b>People</b>	Site visits are an important part of employee engagement and potential further opportunities for these should be found.	<p>All Non-Executive Directors are encouraged to visit our sites when travelling during the year.</p> <p>The 2018/19 review recognised that further work is needed to ensure the culture amongst the workforce is in line with our values and the board is considering ways in which it can enhance engagement with the workforce, through site visits and other means. Further details on this will be reported in the 2020 Annual Report and Accounts.</p>



Following the board's discussion of the 2018/19 review, an action plan will be agreed. These actions are likely to be in the areas of:

- Stakeholder engagement, particularly with the workforce.
- Developing our culture and rewarding the right behaviours.
- Risk management, including crisis management.

We will report on the actions and progress made next year.

The board's intention is to undertake a similar review in 2019/20 in order to monitor progress and to undertake an externally facilitated evaluation process in 2020/21 and at least every three years, in accordance with the requirements of the code.

## 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 April 2019, the Non-Executive Directors, led by Alan Ferguson, met without Patrick Thomas being present to discuss his performance during his first year as Chairman. Key considerations were his overall leadership of the board, the setting of tone and the effectiveness of structuring and facilitating discussions. The views of Executive Directors and the Company Secretary were also taken into account. The outcome was subsequently reported to the board that Patrick's leadership of the board was effective and encouraged open and constructive challenge.

## Review of the Executive Directors' performance

The Chairman met with the Non-Executive Directors without the Executive Directors being present in November 2018 in order to review the Executive Directors' performance and regular discussions were held with the Remuneration Committee throughout the year. Each of the directors was considered to be effective in discharging their responsibilities.

## Annual re-election of Directors

In accordance with the code, all directors retire at each AGM and offer themselves for election or re-election by shareholders.

Xiaozhi Liu joined the board as a Non-Executive Director on 2nd April 2019 and, as required by our Articles of Association, will retire at the 2019 AGM and offer herself for election. Odile Desforges will step down from the board at the end of the 2019 AGM and therefore not offer herself for re-election. All other directors will be offering themselves for re-election.

As at the date of approval of this annual report, our six Non-Executive Directors are each determined by the board to be independent directors in accordance with the criteria set out in the code. The board considers that their skills, experience, independence and knowledge of the company enable them to discharge their respective duties and responsibilities effectively. Biographies of each of the directors standing for election or re-election, including details of their contributions to the board, can be found on pages 100 to 102.

Our 2019 AGM circular outlines why the board believes each director should be elected or re-elected. 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).

## Remuneration

The board has established a Remuneration Committee. The composition and role of the Remuneration Committee is set out in the Annual Report on Remuneration.

 Pages 142 to 150

## Accountability

### Fair, balanced and understandable 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 process to determine whether the 2018/19 annual report is fair, balanced and understandable was reviewed by the Audit Committee and was considered to be effective. The board considered the results of an assessment by management and was satisfied that all key events and issues reported to the board during the year had been adequately disclosed or reflected within the annual report. The directors concluded that the 2018/19 annual report taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

# Corporate Governance Report continued

## Risk management and internal control

The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives, that is, the risks that could threaten JM's strategy, performance, solvency or liquidity. Details of these risks and the mitigating actions are set out on pages 93 to 96.

The board is also 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). Our risk management and internal control systems are groupwide and comprise 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 judgements. These 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 an ongoing process in place (established in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council in September 2014 (FRC Guidance) and the requirements of the code) for identifying, evaluating and managing the principal risks faced by the group as well as emerging risks and trends. This process is regularly reviewed by the GMC, the board and the Audit Committee, as appropriate, and has been in place during the year and up to the date of approval of this annual report.

The directors confirm that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. 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 in this report.

## Review of effectiveness of the group's risk management and internal control systems

The board delegates responsibility to the Audit Committee to keep under review the adequacy and effectiveness of internal controls and risk management systems and it ensures they are properly scrutinised. The role and work of the Audit Committee in this regard and the role of the group's Corporate Assurance and Risk function are described in the Audit Committee Report on pages 128 to 129.

To ensure the board effectively manages risk, the board agenda plan, together with that of the Audit Committee, ensure that all significant areas of risk, risk appetite and the related risk management and internal control systems are reviewed and considered during the course of the year. The board also considers emerging risks.

The board, in part through the Audit Committee, is satisfied that it has reviewed 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 FRC Guidance.

## The Audit Committee

The composition of the Audit Committee is set out in the Audit Committee Report (pages 123 to 131), which describes the work of the Audit Committee in discharging its responsibilities.

The board is satisfied that at least one member of the Audit Committee, Alan Ferguson, has recent and relevant financial experience, including competence in accounting and that the Audit Committee as a whole has competence relevant to the sectors in which the company operates.

## Viability statement

The directors have assessed the prospects of the company over a three year period following a robust assessment of the principal risks affecting the company, the business model and strategic plans. The directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three year period under review.

## Risk governance

### Board

- Assesses the principal risks and determines risk appetite.
- Is responsible for the approach to risk management and internal control.

### Audit Committee

- Reviews the adequacy and effectiveness of internal controls and risk management systems.

### Group Management Committee

- Reviews each principal risk, the risk appetite and mitigations in place.
- Champions risk management.

### Risk management function

- Provides independent advice and challenge on our risks.

## Stakeholders

Our approach to our stakeholders is central to our decision making. We keep in close contact with our shareholders, workforce, customers and suppliers to ensure we are aware of what matters to them and so their views can be appropriately considered in decision making.

+ Page 27: Our sustainability framework – materiality map

+ Pages 28 and 29: Our stakeholders

<b>Shareholders</b>	Information on how we manage relations with our shareholders is set out on the following page.
<b>Workforce</b>	<p>The board is committed to engaging with the workforce in order to understand the culture, issues and challenges across our businesses. Meeting with local management, both formally and informally, allows a deeper insight of views and provides opportunities to receive informal feedback. In receiving presentations on strategy, we ensure that the Sector Chief Executive or key functional head, and where relevant, members of their teams, attend the board meeting so their views can be heard and considered.</p> <p>During 2018 we undertook our second global employee engagement survey and the Chief HR Officer presented the results of this to us. It was pleasing to see that 82% of employees participated in the survey (an increase from 75% in November 2016). A culture of transparency is important to the board and senior management, particularly during periods of change. The result of the employee survey confirmed areas where there is more to do, and this is taken into account as the board develops, and reviews strategy.</p> <p>The board continues to enhance ways in which it engages with the workforce, to ensure their views are taken into account in decision making. Plans are in place to develop engagement mechanisms further during 2019.</p> <p>We have processes in place for the workforce to be able to raise concerns in a confidential manner. Further details on our speak up arrangements are set out on pages 68 and 69. The board receives regular reports on speak up matters which provide further insight into the culture across the group.</p> <p>+ For details on how we continue to invest in and reward our workforce, see pages 60 to 75: People</p>
<b>Customers</b>	<p>Understanding our customers' needs helps us to deliver the best solutions for them. The board considers this as part of its strategy and in reviewing capital investment proposals.</p> <p>+ Pages 40 to 47: Customers</p>
<b>Suppliers</b>	<p>Working well with our suppliers is essential to our business. It ensures a responsible approach to our supply chain and mitigates risks. During the year the board approved Johnson Matthey's Modern Slavery and Human Trafficking Statement which sets out the steps taken to prevent modern slavery in our business and supply chains.</p> <p>+ Pages 50: Responsible sourcing</p> <p>matthey.com/modern-slavery</p>
<b>Communities</b>	<p>Local communities and the environment are considered when relevant, in reviewing capital investment proposals.</p> <p>+ Pages 28 to 29: Our stakeholders</p>



# Corporate Governance Report continued

## Relations with shareholders

### Dialogue with our shareholders

Our board welcomes the opportunity to openly engage with shareholders and help them to understand our business. Recognising the importance of effective dialogue on an ongoing basis, whether with major institutional investors, private shareholders or employee shareholders, the board takes responsibility for ensuring that such dialogue takes place.

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 so these can be fully considered. Since his appointment, the Chairman has met with approximately 30% of our shareholding, comprising a range of institutional investors, to discuss matters on strategy, performance and governance. He is committed to engaging with our shareholders on a regular basis.

Contact with major shareholders is principally maintained by the Chief Executive and the Chief Financial Officer, who have a regular dialogue with institutional shareholders on performance, plans and objectives through a programme of one to one and group meetings. Our Investor Relations department acts as a focal point for contact with investors throughout the year. During the year, the Investor Relations department, together with members of the board and senior management, held over 250 meetings with institutions and potential investors. The Chairman, Senior Independent Director and the other Non-Executive Directors continue to be available to discuss matters if requested.

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. All board members are provided with a range of analysts' and brokers' briefings on a regular basis and six monthly brokers' reports.

The board considers that the arrangements for communicating with shareholders remain practical and efficient. They allow all our directors to keep in touch with shareholders' opinions and views in order 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, including where relevant, on the company's overall approach to governance.

### Reporting of results and Capital Markets Day

We report formally to our shareholders when we publish our full year results in May and our half-yearly results in November. When we publish the results, our Executive Directors give presentations in meetings with institutional investors, analysts and the media in London. Live webcasts and transcripts of these presentations are available on our website.

In addition, we hold a Capital Markets Day for our institutional investors and analysts. The last of these was held in September 2017. Our next Capital Markets Day will be held on 19th September 2019.

 [matthey.com/cmd-17](http://matthey.com/cmd-17)

### Annual General Meetings

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

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. A 'vote withheld' is not legally a vote and not counted in the calculation of the proportion of the votes cast. All resolutions at the AGM are decided on a poll carried out by electronic means. The results are announced as soon as possible and posted on our website. This shows votes for and against as well as votes withheld.

### Asset reunification

The board is committed to proactively seeking to unite shareholders promptly with their shares and dividend payments.

### Share capital

Details of the company's share capital, including the rights and obligations attached to the shares are set out in the Directors' Report on pages 151 and 152.

### 2019 AGM

Our 2019 AGM will be held on 17th July 2019. The Notice, together with an explanation of the resolutions to be considered, is set out in a circular to shareholders. 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.

 [matthey.com/shareholder-information](http://matthey.com/shareholder-information)

### Compliance with the UK Corporate Governance Code 2016

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. During the year the Senior Independent Director did meet with some major shareholders, however, the board does not consider this to be sufficient to have fully complied with this provision throughout the year. The board has concluded, however, 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. However, he is 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 and is consistent with good governance and the promotion of delivery of the company's objectives.

# Nomination Committee Report



**Chairman of the Nomination Committee**

Patrick Thomas

## Members



Alan Ferguson



Odile Desforges



Jane Griffiths



John O'Higgins



Chris Mottershead



Xiaozhi Liu  
(Appointed 2nd April 2019)

## Key objective:

To lead the process for board appointments and ensure the development of a diverse pipeline for succession.

## Responsibilities:

- To review the structure, size and composition of the board.
- To ensure adequate succession planning for board and GMC members.

## 2019/20 priority:

- Ensuring the continued effectiveness of the board as a whole as we work with new board members in new roles.

## Strengthening our leadership

We have focused on succession planning to ensure the board and senior management has the right capabilities to develop and execute our strategy.

This was my first year as Chairman of the board and the Nomination Committee, having joined Johnson Matthey's board in June 2018. The committee has spent considerable time focusing on board succession planning and evaluating the directors' skills and expertise in order to identify the criteria for future appointments and, in April 2019, we welcomed Xiaozhi Liu to the board as a Non-Executive Director. Odile Desforges will step down from the board in July 2019, having been a member for six years and on behalf of the board I would like to thank Odile for her commitment and contributions to the board during this time.

In September 2019, Doug Webb will join the board as a Non-Executive Director and following our Annual General Meeting (AGM) will take over Alan Ferguson's responsibilities for chairing the Audit Committee. In July 2020, Alan Ferguson reaches the end of his third term of appointment in January 2020 and you can read more about why we decided to extend his term of appointment for a further six months in this report. He is also appointed as Senior Independent Director and from July 2020, John O'Higgins will hold this position on the board.

During the year, we also reviewed succession planning and talent management for the Group Management Committee (GMC) and their direct reports, recognising the importance these roles play in delivering the group's strategy and embedding the desired culture across JM.

## Role

The principal role of our Nomination Committee is to keep under review the structure, size and composition of the board and to make appropriate recommendations to the board with respect to any necessary changes. We also consider the adequacy and effectiveness of senior management development and succession planning processes for board members and senior executives, including the group's processes for identifying and developing the future senior management pipeline.

Further details on our role and responsibilities can be found in our terms of reference, which were updated in April 2019.

[matthey.com/corporate-governance](https://matthey.com/corporate-governance)

## Composition

As at the date of this annual report our committee has seven members, myself as Chairman and all the independent Non-Executive Directors. Only members of the committee have the right to attend meetings. The Chief Executive and the Chief HR Officer, as well as external advisers and others, attend for all or part of our meetings by invitation when appropriate. The Company Secretary acts as secretary to the committee.

# Nomination Committee Report continued

## Committee meetings during the year

Our committee meets immediately prior to or following board meetings and on other occasions as needed. We met seven times during the year. The attendance of members at meetings during the year is set out below.

	Date of appointment to committee	Number of meetings eligible to attend	Number of meetings attended	% attended
Patrick Thomas	1st June 2018 <sup>1</sup>	5	5	100%
Tim Stevenson	29th March 2011 <sup>2</sup>	3 <sup>3</sup>	3	100%
Odile Desforges	1st July 2013	7	6 <sup>4</sup>	86%
Alan Ferguson	13th January 2011	7	7	100%
Jane Griffiths	1st January 2017	7	7	100%
Chris Mottershead	27th January 2015	7	6 <sup>4</sup>	86%
John O'Higgins	16th November 2017	7	7	100%

1 Patrick Thomas was appointed Chairman of the board and the committee on 26th July 2018.

2 Tim Stevenson was appointed Chairman of the board and the committee on 19th July 2011.

3 Tim Stevenson retired from the board and the committee on 26th July 2018.

4 Odile Desforges and Chris Mottershead were unable to attend one ad hoc meeting of the committee, which was arranged at short notice to consider the appointment of Xiaozhi Liu as a Non-Executive Director of the company. Both were provided with papers in advance of the meeting and had the opportunity to pass on any comments to the Chairman of the committee, ahead of the meeting.

Since the end of the year, the committee has met twice and all members attended, including Xiaozhi Liu following her appointment in April 2019.

## Committee activities

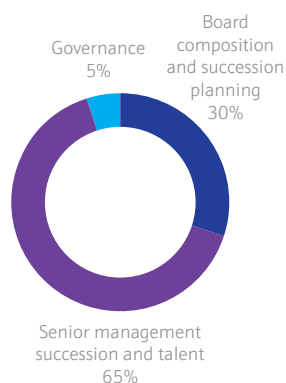
Our principal activities during the year, and up to the date of approval of this annual report, were as follows:

<b>Chairman succession</b>	My appointment to the board took effect in June 2018 and I became Chairman in July 2018, after Tim Stevenson stepped down from the board. I have since received a full induction into Johnson Matthey's business. Further details on my induction are included in this report on page 122.
<b>Non-Executive Director succession</b>	Recommended to the board that Odile Desforges' term of appointment be extended from 30th June 2019 until the end of the company's AGM on 17th July 2019.  Considered succession planning for Alan Ferguson, who will have served on the board for nine years in January 2020.  Having conducted a search process for two new Non-Executive Directors with assistance from EgonZehnder, recommended to the board the appointments of Xiaozhi Liu as a Non-Executive Director and of Doug Webb as a Non-Executive Director and Audit Committee Chairman Designate.  Recommended to the board that John O'Higgins be appointed as Senior Independent Director from the end of the company's 2020 AGM.
<b>Board skills matrix</b>	Reviewed the directors' skills and experience by way of a self-assessment to ensure that the board as a whole remains balanced and to identify any areas for development or gaps within succession planning.
<b>Talent management framework</b>	Reviewed the group's progress and priorities for talent management, development, culture and values, which form an integral part of the group's people strategy.
<b>Succession planning and senior management changes</b>	Reviewed the 2019 succession and development plans in respect of the GMC including the Chief Executive and other senior executives in each sector and group function. Discussed GMC membership and responsibility changes.
<b>Review of performance and effectiveness during 2018/19</b>	Undertook an internal review of the committee's performance and effectiveness.
<b>Nomination Committee Report</b>	Reviewed and approved the 2019 Nomination Committee Report.



## Committee activities

The graph below shows an estimate of how the committee has spent its time during the year.



## Board appointments

In considering board composition, we assess the range and balance of skills, experience, diversity, knowledge and independence on the board to identify any gaps and consider the need to refresh the board. If we feel that it is necessary to appoint a new director, the capabilities and characteristics required for the appointment are determined and objective selection criteria are set accordingly. We consider any proposed recruitment in the context of the company's strategic priorities, plans and objectives, as well as the prevailing business environment. We also take into account relevant succession plans already in place.

### Board skills matrix

This year, I led a detailed review of the skills and capabilities held by the current board members. This comprised a self-assessment from each board member of the skills, areas of functional expertise and sectoral experience they have. The results were compiled by the Company Secretary and used to consider any gaps, areas for future development and skills needed in future appointments to the board, in order to support, challenge and develop the group's strategy. The skills held by our Non-Executive Directors are summarised on page 103.

### Boardroom diversity

The benefits of diversity, in its broadest sense, on the board are carefully considered when making any new board appointment. All appointments to the board are made on merit, against agreed objective selection criteria. We also consider board balance and composition, the required mix of skills, background and experience as well as the need to maintain board cohesiveness, diversity and a positive culture.

In adopting its Diversity Policy, the board has not set express gender or other related diversity quotas or measurable objectives, however, the board and the committee seek to encourage applications from a diverse range of candidates, subject to the selection criteria being met. The board's Diversity Policy is available on our website.

[matthey.com/corporate-governance](http://matthey.com/corporate-governance)

The policy requires the board to satisfy itself that plans are in place for orderly succession for appointments to the board so as to maintain balance and ensure progressive refreshing of the board. On behalf of the board, the Nomination Committee annually reviews and approves the management development and succession plans for the directors and senior executives, and makes recommendations to the board on its structure, size and composition.

Since the launch of the board Diversity Policy in 2013, the board has made progress in broadening the diversity of the board and senior management. As at the date of approval of this annual report we had four women on our board, which represents 40% of our total board membership. During the year the board has continued to promote diversity at all levels of the organisation and in the boardroom, to promote an inclusive culture across JM.

The gender balance of the board as at 31st March 2019 is shown on page 103 and of those in senior management positions and their direct reports, on page 65. For further details on diversity and inclusion across JM, including our Equal Opportunities Policy, see page 65.

## Succession planning

A key role of the committee is to ensure that plans are in place for the orderly and progressive refreshing of the board and to identify and develop individuals with potential for board and GMC positions.

The committee has continued to focus on active talent management, mobility across the group and diversity. We have discussed succession planning and development for key senior management roles and identified areas for external recruitment. We were pleased to see that performance management and development has been enhanced, with a globally consistent framework of career paths, a common, globally applied job grading system, progressive mobility policies, and a new suite of leadership development programmes.

The committee recognises the importance of setting the tone and culture of the organisation from the top and the role of the GMC and senior leaders in demonstrating and embedding the expected behaviours. JM's refreshed values were launched in April 2018 and over 1,300 managers have since attended interactive workshops to learn more about these. The committee will continue to monitor the cultural factors that impact talent strategies and influence a positive and productive culture, creating a career destination of choice for current and future talent.

[You can read more about our values on page 61](#)

## Non-Executive Director succession

The committee recommended to the board that Odile Desforges' term of appointment be extended from 30th June 2019 to the end of the company's AGM in July 2019, enabling her to attend the AGM and answer any questions our shareholders may have, before she stands down from the board after six years.

In light of Odile stepping down, the committee recommended that a further Non-Executive Director be appointed to the board. Having reviewed the skills and expertise of the current board members, the committee sought an individual with international experience and in particular, knowledge of the China commercial markets.

The committee felt that Xiaozhi Liu's executive experience and extensive knowledge of the automotive sector, including in China, as well as her technology perspective would be a positive enhancement of the board's knowledge, particularly as the group's automotive powertrain strategy evolves.

In considering Xiaozhi's appointment, the committee discussed her existing commitments to ensure she would be able to dedicate sufficient time to JM. As part of these discussions, it was noted that Xiaozhi will step down from her role as Non-Executive Director of Fuyao Glass Industry Group Co., Ltd in October 2019, when her appointment expires. Her current appointments are set out on page 101.

The committee also commenced succession planning for Alan Ferguson, including his role as Chairman of the Audit Committee and as Senior Independent Director. His term of appointment is due to come to an end in January 2020, after nine years on the board.

## Nomination Committee Report continued

In searching for a new Non-Executive Director, the committee sought an individual with recent and relevant financial experience and a background in technology or innovation. The committee recommended that Doug Webb be appointed as a Non-Executive Director due to his long and distinguished career as a Chief Financial Officer. His experience of the engineering and IT sectors will also provide further expertise to support the board's discussions. We look forward to Doug joining the board in September 2019. Given his extensive corporate financial management experience, Doug will be appointed as Audit Committee Chairman from July 2020.

EgonZehnder was engaged to support the search process for both Non-Executive Director roles. EgonZehnder is a signatory to the Enhanced Code of Conduct for Executive Search Firms and has no connection with the company, other than in Non-Executive Director recruitment.

The committee recommended that John O'Higgins be appointed as Senior Independent Director from the end of the company's 2020 AGM, when Alan Ferguson steps down from the board. In considering Alan's successor for this role, the committee felt it was important to appoint an individual with previous experience of engaging with a range of shareholders, to ensure they are well placed to understand shareholders' views. It was felt that John O'Higgins has strong experience of this, having previously held the role of Chief Executive at Spectris plc.

Having identified successors for Alan Ferguson's roles, the committee decided to extend his term of appointment until the end of the July 2020 AGM. This extends Alan Ferguson's appointment on the board beyond nine years and prior to taking this decision, the committee rigorously reviewed his independence. Notwithstanding his length of tenure, the committee feels that Alan continues to demonstrate challenge and he probes management to ensure they are held accountable. His knowledge, skills and experience remain important to the committee and he initiates and supports productive discussions. Extending Alan's appointment to July 2020 will ensure continuity in oversight of the 2019/20 external audits and allow Doug to spend time understanding JM's business and the work of the Audit Committee, before he takes on his additional responsibilities.

### Chairman induction

To ensure that I had an effective introduction to Johnson Matthey, I received a detailed induction by the Chief Executive and Company Secretary. This included site visits and introductions to key staff including the GMC and their immediate teams. During 2019/20 I will continue to visit more sites, and meet more of our people and shareholders.

### Timeline of induction events

Date	Action
June 2018	Met with the Sector Chief Executives and their respective executive committee members for an introduction to Clean Air, Efficient Natural Resources and New Markets and toured JM's site at Royston
June 2018	Met with the heads of each corporate function to understand their priorities
June 2018	Met with the General Counsel and Company Secretary who provided an overview of directors' duties and obligations and JM's governance procedures
June 2018	Toured our Technology Centre at Sonning, JM's largest R&D facility, to learn about our research and technical support for our sectors
June 2018	Met with Tim Stevenson, the former Chairman, to ensure a successful transition of duties
September 2018	Joined the Clean Air executive team on their leadership conference
April 2019	Attended part of JM's leadership conference and met with employees across all sectors and functions
Ongoing	Meeting with a range of institutional investors to discuss and understand their views on strategy, performance and governance

### Committee effectiveness

In January 2019, I led an internal review on the effectiveness of our board and its committees. This was a lighter approach for the committee than in previous years, given that a detailed external review was carried out during 2017/18. The review covered the committee's role, responsibilities and operations. The review showed that the committee continues to operate effectively, in particular, in setting the tone and culture with management. The recent challenges in recruiting for certain executive roles was noted, reinforcing the importance of continuing to develop internal talent.

Further details on the outcomes of the board evaluation, including how the actions will influence board composition, are set out on page 114.

The Nomination Committee Report was approved by the Board of Directors on 30th May 2019 and signed on its behalf by:



**Patrick Thomas**  
Chairman of the Nomination Committee

# Audit Committee Report



**Chairman of the Audit Committee**

Alan Ferguson

## Members



Odile Desforges



Jane Griffiths



John O'Higgins



Chris Mottershead



Xiaozhi Liu  
(Appointed 2nd April 2019)

## Key objective:

To provide oversight of financial reporting and internal controls.

## Responsibilities:

- To monitor the integrity of the company's financial reporting.
- To review the effectiveness of internal financial controls.
- To maintain the relationship with the external auditor.

## 2019/20 priorities:

- To monitor controls associated with the new ERP system and cyber risk.
- To monitor progress to increase the use of data analytics by our assurance providers.

## The committee welcomed PwC as its new auditor during the year

This report shares some of the committee's discussions during the year and provides insight into its essential role in maintaining the integrity of financial reporting and reviewing the effectiveness of internal controls.

During the year as part of our programme of deeper dives, we looked in more detail at the effectiveness of the control environment of the Efficient Natural Resources and Battery Materials businesses. We also spent time understanding and challenging the controls around the implementation of our new enterprise resource planning (ERP) system and how the group manages and controls precious metal. These detailed reviews provide the committee with a deeper insight into the risk management systems and controls in place across the group.

Following a successful tender last year, we welcomed PricewaterhouseCoopers LLP (PwC) as our new auditor in July 2018, led by Mark Gill, the lead audit partner. The committee has spent time this year overseeing a smooth transition from KPMG LLP (KPMG), our former auditor.

As Chairman of the committee, I am pleased to say that the committee continues to operate well and that it remains informed of relevant changes and developments in the external audit market. Looking ahead to next year, we will continue to monitor the control processes associated with our new global ERP system, as its rollout across the group is accelerated, and will start to focus on how our assurance providers can make better use of data analytics, when undertaking their work on our control environment.

## Role

Our principal role is to assist the board in carrying out its oversight responsibilities in relation to financial reporting, internal controls and risk management, and in maintaining an appropriate relationship with our external auditor. More details on our role and responsibilities can be found in our terms of reference which were updated in April 2019 and are available on our website.

 [matthey.com/corporate-governance](https://matthey.com/corporate-governance)

## Composition

Our committee currently comprises six members; myself as Chairman and all of our independent Non-Executive Directors. We welcomed Xiaozhi Liu to the committee in April 2019. This is my eighth year as Chairman of the committee. I am a Chartered Accountant with many years' experience working in finance, having been, over a 12 year period, the Group Finance Director at Inchcape plc, The BOC Group plc and Lonmin Plc. I also chair the audit committees of two other companies. As a committee, we have a broad range of knowledge, skills and experience gained from a variety of backgrounds, as detailed on pages 100 to 102. This diversity is essential to the effective discharging of our duties.

The board has agreed that the committee has experience relevant to the sectors in which we operate and that I have recent and relevant financial experience, including competence in accounting, as required by the provisions of the UK Corporate Governance Code.

The secretary to the committee is Simon Farrant, Company Secretary.



## Audit Committee Report continued

### Committee meetings during the year

We met five times during the year. Attendance at these meetings was as follows:

	Date of appointment to committee	Number of meetings eligible to attend	Number of meetings attended	% attended
Alan Ferguson	13th January 2011 <sup>1</sup>	5	5	100%
Odile Desforges	1st July 2013	5	5	100%
Jane Griffiths	1st January 2017	5	5	100%
Chris Mottershead	27th January 2015	5	5	100%
John O'Higgins	16th November 2017	5	5	100%

<sup>1</sup> Alan Ferguson was appointed Chairman of the committee on 19th July 2011.

Since the end of the year, the committee has met twice and all members attended, including Xiaozhi Liu following her appointment in April 2019. The committee's meetings coincide with key events in the company's financial calendar. Following each meeting, I report on the main discussion points and findings to the board.

The Chief Executive, the Chief Financial Officer and the Group Assurance and Risk Director attend all of our meetings and other senior managers attend to support the committee's activities and provide technical or business information as necessary.

It is critical that we have the opportunity to openly discuss with management any matter which falls within our remit, and probe and challenge where necessary in order to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control.

Our meetings were also attended by the lead audit partner and other representatives from the external auditor. Their attendance is important as it gives us the opportunity to seek their independent and objective views on matters which they encounter during their audit.

At least once a year, the committee meets separately with the lead audit partner and with the Group Assurance and Risk Director, who manages the internal audit function, to discuss matters without executive management being present. On a more frequent basis, I meet with the Chief Financial Officer, the Group Assurance and Risk Director, other senior management and with the auditors. This means any issues or concerns can be raised at an early stage, allowing me to ensure that sufficient time is devoted to them at the subsequent committee meeting.

Communication between the committee, management and the internal and external auditors is open and constructive but has an appropriate degree of challenge.

### Committee activities

In order to discharge our responsibilities, our principal activities during the year, and up to the date of approval of this annual report, were as follows:

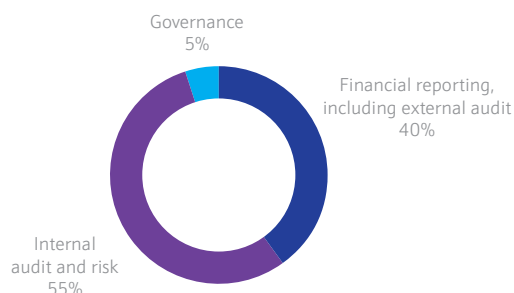
Responsibility	Activity
<b>Published financial information</b>	
<b>To monitor the integrity of the reported financial information and to review significant financial issues and judgements</b>	<ul style="list-style-type: none"> <li>Reviewed the group's full year results and half-yearly results and considered the significant accounting policies, principal estimates and accounting judgements used in their preparation.</li> <li>Reviewed the matters, assumptions and sensitivities in support of preparing the accounts on a going concern basis and assessed the long term viability of the group.</li> <li>Reviewed the financial reporting framework of the parent company financial statements and agreed the adoption of FRS 101.</li> <li>Assessed the process which management put in place to support the board when giving its assurance that the 2019 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.</li> <li>Received an update on new or forthcoming accounting standards that could materially impact the group, including IFRS 15 – 'Revenue from Contracts with Customers' and IFRS 16 – 'Leases'.</li> <li>Reviewed reports from the General Counsel on litigation and on the speak up (whistleblowing) procedures.</li> <li>Reviewed reports on credit controls and credit risks.</li> <li>Approved the 2019 Audit Committee Report.</li> <li>Reviewed and recommended the approval of elements of the 2019 Annual Report and Accounts to the board.</li> <li>Reviewed and challenged the payment practices, policies and performance of the company and certain UK subsidiaries.</li> </ul>

Responsibility	Activity
<b>Risk management and internal control</b>	
<b>To review the group's internal financial controls and its risk management systems, and to monitor the effectiveness of the group's internal audit function</b>	<ul style="list-style-type: none"> <li>Received reports from the Group Assurance and Risk Director on the corporate assurance and risk reviews and risk management processes.</li> <li>Monitored progress against the 2018/19 corporate assurance and risk plan and agreed the 2019/20 plan.</li> <li>Reviewed the assurance framework to determine whether risk management and internal controls effectively meet the group's needs and manage risk exposure.</li> <li>Reviewed an assessment of the control environment based on the results of the key control questionnaire and management's plans to address areas requiring further improvement. Determined that the system of internal controls could be relied upon.</li> <li>Monitored the effectiveness of the Corporate Assurance and Risk function, including the results of a self-assessment against the Institute of Internal Auditors' standards.</li> <li>Reviewed precious metal governance and controls.</li> <li>Received reports from the Efficient Natural Resources and Battery Materials Finance Directors.</li> <li>Received reports in respect of security audits and the implementation of the new global ERP system.</li> </ul>
<b>External auditor</b>	
<b>To ensure an appropriate relationship with the external auditor, to monitor its independence and objectivity, negotiate and approve its fees, recommend its reappointment or not and to ensure it delivers, based on a sound plan, a high quality effective audit</b>	<ul style="list-style-type: none"> <li>Approved, after due challenge and discussion, PwC's proposed terms of engagement, audit plan and fees for 2018/19.</li> <li>Considered reports from the auditors, including their views on our accounting judgements, control observations and on the audit transition.</li> <li>Approved the provision of permissible non-audit services from PwC in respect of immigration services.</li> <li>Received updates on external audit market reviews and reviewed our response to the Competition and Markets Authority consultation on the audit market study.</li> <li>Met with the external auditors without management present.</li> <li>Met with the local audit partner as part of the board's visit to China.</li> <li>Considered and reviewed indicators of audit quality and recommended the reappointment of PwC as auditor.</li> </ul>

These activities are covered in more detail on the following pages.

### Committee activities

The graph below shows an estimate of how the committee has spent its time during the year.



## Audit Committee Report continued

### Published financial information

#### Significant issues considered by the committee in relation to the group's and company's accounts

Acting independently from management to ensure that the interests of shareholders are properly protected in relation to financial reporting is fundamental to our role. In preparing the accounts, there are a number of areas which require management to exercise a particular judgement or a high degree of estimation. The committee assesses whether the judgements and estimates made by management are reasonable and appropriate.

Significant current year issue in relation to the accounts	Work undertaken	Outcome	Further information
<b>Revenue from contracts with customers</b>			
<p>IFRS 15 supersedes all revenue standards and provides a principle based approach for revenue recognition and requires that revenue is recognised as the distinct performance obligations promised within a contract are satisfied either at a point in time or over time. IFRS 15 is applied for the first time in these accounts.</p> <p>Earlier in the year work was undertaken by management to assess the impact of IFRS 15 on the transactions carried out within the business. JM took professional advice as it worked through this process. It was concluded that the impact on equity would be less than £5 million. Following further work being undertaken it was agreed that IFRS 15 requires a number of transaction sets to be shown net rather than gross which had a significant impact on revenue and cost of sales and lead to a gross up of certain interest and balance sheet items. As a result it was decided to apply the standard on a fully retrospective basis. The conclusion on the impact on equity was unchanged. This work also highlighted that JM's treatment of certain transactions sets in the 2018 accounts under IAS 18 should have been similarly accounted for on a net basis and so these were restated.</p>	<p>As management worked through the impact of the introduction of IFRS 15 the Committee was kept up to date on the process and the conclusions arising from it. Papers were received from management, PwC our auditors and KPMG our former auditors. These were reviewed and discussions were had with all parties before the Committee could satisfy itself as to the conclusions recommended by management which were supported by PwC.</p>	<p>We agreed with management on the treatment of certain transaction sets under both IFRS 15 and, for the 2018 comparative, IAS 18. This resulted in a restatement and we reviewed the associated disclosures and were satisfied with them.</p> <p>Whilst there is no economic exposure from these adjustments, we will learn from the issues identified.</p>	Note 39 on page 220.
Significant recurring issues in relation to the accounts	Work undertaken	Outcome	Further information
<b>Refining process and stock takes</b>			
<p>When setting process loss provisions and agreeing commercial terms with customers, key estimates are made of the amount of precious metal that may be lost during the refining and fabrication processes. In addition, refining stock takes involve key estimates regarding the volumes of precious metal bearing material in the refining system and the subsequent sampling and assaying to assess the precious metal content.</p>	<p>In order to satisfy ourselves on the robustness of the stock take results and the adequacy of process loss provisions, we reviewed the results from the refinery stock takes together with explanatory commentary from management. This included whether these results were in line with expectations and historic trends. We also reviewed the results as a percentage of throughput.</p> <p>The refining process and stock takes were also an area of focus for PwC, who reported their findings to us.</p>	<p>We considered whether the accounting treatment for refining stock take gains and losses was in accordance with agreed methodology and concurred with management's opinion that it was.</p>	Accounting policies section on page 171.

Significant recurring issue in relation to the accounts	Work undertaken	Outcome	Further information
<b>Impairment of goodwill, other intangibles and other assets</b>			
Key judgements are made in determining the appropriate level of cash generating unit (CGU) for the group's impairment analysis. Key estimates are made in relation to the assumptions used in calculating discounted cash flow projections to value the CGUs containing goodwill, to value other intangible assets not yet being amortised and to value other assets when there are indications that they may be impaired. The key assumptions are management's estimates of budgets and plans for how the relevant businesses will develop or how the relevant assets will be used in the future, as well as discount rates and long term average growth rates for each CGU.	<p>As part of the annual impairment review of goodwill and other intangible assets not yet being amortised, we reviewed a report from management. This explained the methodology used and the rationale for the assumptions made including explanations for any significant changes from those used in prior years.</p> <p>The impairment reviews were also an area of focus for PwC, who reported their findings to us.</p>	<p>For these annual impairment tests, there was significant headroom over the carrying value of the net assets of all material CGUs. The key assumptions were discussed and assessed for their reasonableness.</p> <p>There were no material impairments of goodwill or other assets in the year.</p> <p>We concluded that management's key judgements, estimates and assumptions were reasonable and appropriate.</p>	<p>Accounting policies section on pages 166 and 177.</p> <p>Notes 16, 17 and 18 on pages 184 to 187.</p>
<b>Taxation</b>			
Key estimates are made in determining the tax charge included in the accounts, where the precise impact of tax laws and regulations is unclear.	<p>We reviewed explanatory papers from management which included the appropriateness of the tax provisions and relevant disclosures. These were challenged and discussed.</p> <p>This was also an area of focus for PwC, who, reported their findings to us and we reviewed these.</p>	We concluded that the estimates and disclosures were reasonable and appropriate.	Accounting policies section on pages 169 and 171.
<b>Post-employment benefits</b>			
Key estimates are made in relation to the assumptions used when valuing post-employment benefit obligations.	We reviewed the report from management summarising actuarial valuations and key assumptions for the main post-employment benefit plans. We compared these assumptions with those made by other companies and those used last year. We also considered PwC's assessment of the reasonableness of these assumptions.	We concluded that the assumptions used are appropriate for the group's post-employment benefit plans.	<p>Accounting policies section on page 170.</p> <p>Note 30 on pages 195 to 203.</p>
<b>Claims and uncertainties</b>			
The business is exposed to potential claims and uncertainties, and how to deal with these often involves significant judgement.	We reviewed and challenged information provided by management in relation to legal claims and uncertainties in accordance with relevant accounting standards.	We concurred with management's conclusions around provisioning and the contingent liability disclosures.	<p>Accounting policies section on page 170.</p> <p>Note 36 on page 215.</p>



## Audit Committee Report continued

### Fair, balanced and understandable

We reviewed and assessed the process which management has put in place to support the board when giving its assurance that the 2019 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provided the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This process included detailed reviews by senior managers with responsibility for key sections and a separate independent review. Key sections are also reviewed by our external advisers. Following our review, we confirmed to the board that the process put in place by management was satisfactory. The board's assessment on whether the 2019 Annual Report and Accounts is fair, balanced and understandable is set out on page 115.

### Going concern and viability statement

We reviewed the matters, assumptions and sensitivities in support of assessing both the going concern basis and the long term viability of the group. This included assessing the risks which would threaten our business model, the current funding position and different stress scenarios and mitigating actions. As part of this, we considered the risks associated with the UK's exit from the European Union (Brexit). Due to its importance, the board has received regular updates from the company's Brexit working group on the plans being implemented to manage our business. Further details on our going concern and viability, and the scenarios considered, are set out on page 97.

Following review, we concluded that the group would be able to continue in operation and meet its liabilities as they fall due over a period of at least three years. The committee therefore recommended to the board that the accounts be prepared on a going concern basis and that the viability statement be approved. Further information can be found on page 116.

### Risk management and internal control

The committee assists the board in its overall responsibility for the group's internal controls by reviewing the adequacy and effectiveness of controls and risk management systems. The Group Assurance and Risk Director, who has a direct reporting line to me, is responsible for providing independent assurance that our risk management and internal control processes are operating effectively. She provides regular oversight of risk matters that affect our business, makes recommendations to address key issues and ensures that any mitigation actions are properly managed and completed.

### Key control questionnaire

The company's key control questionnaire is an annual, bottom up process that requires management of our material businesses to certify the existence and effectiveness of key controls, which are set out in our policies. This year, the questionnaire was expanded to include certain non-financial controls, in order to provide further insight on the controls needed to keep our people safe, ensure our businesses are compliant with the standards and regulations expected of us and protect our assets (both physical and intellectual). The results are reviewed at sector, function and group levels against the principal risks and the risk of financial misstatement. This detailed review process, as shown in the diagram below, provides a comprehensive insight into the effectiveness of the group controls, the risk culture and its risk management systems.

The committee assessed the effectiveness of the process and considered the nature and quality of responses, the level of challenge to the responses, significant findings, areas for improvement and how management intended to address findings.

### Sector and functional control reviews

The committee receives updates from individuals responsible for maintaining controls over financial risk areas across the group, so that we can gain confidence that these are managed effectively. During the year, we received an update from the new Global Head of Security and Business Continuity on his first impressions of JM and his plans to enhance controls in this area. As deployment of the group's new ERP system commenced, we considered the controls in place and will continue to maintain oversight of these during 2019/20. The committee also spent time reviewing the precious metal governance framework and controls associated with the balances of precious metal held in the businesses, including strategic metal holdings and the treatment of process losses.

It was important for the committee to understand and challenge the key financial risks and controls within our Battery Materials business, including the strength of its newly established finance team as they manage these. This year we also heard from the Sector Finance Director of Efficient Natural Resources about the main themes arising from the key control questionnaire and internal audits, helping us to better understand the control environment in that sector.

These sector and functional reviews allow us to meet with, challenge and probe management. This provides the committee with both a better understanding of the control framework in these areas, but also provides exposure to levels of management below the group team. This is important in assessing the depth and quality of management within the organisation.

### Key control questionnaire process



## Corporate assurance and risk

The Group Assurance and Risk Director is present at every Audit Committee meeting and we have the opportunity to ask detailed questions and challenge her. She provides regular reports on internal audit and security reviews undertaken during the period, including the key findings, the actions to address the findings and progress made by management in implementing them. We pay particular attention to the level of engagement of all our managers, whether at local, sector or executive level, in implementing corrective actions and in strengthening the control framework across our sites, irrespective of site location, size and activity.

## Corporate assurance and risk annual plan

We spend a significant amount of time reviewing the corporate assurance and risk annual plan to ensure it is comprehensive, reflects the challenges and changes to our business, and provides the appropriate level of assurance. In reviewing the 2019/20 plan, we considered the group's risk profile, the maturity of existing internal controls, including where these had been enhanced and standardised across the group, and the work planned by sector management or the group function to review the controls in place, as required by policies. As part of the detailed planning process, information from a variety of sources was analysed to assess levels of risk. This included output from the key control questionnaire process, speak up concerns, previous internal audit findings, including environment, health and safety audits, as well as input from JM's strategy team. We were pleased to see the plan include group wide and multi-site audits, as well as site specific audits.

The plan was mapped against the principal risks and root causes, which allowed us to see how much coverage there would be on each risk. This year, the majority of our plan covers operational, legal, regulatory and commercial risk areas. The committee believes the 2019/20 plan addresses Johnson Matthey's key risks, where additional assurance is needed and that its coverage is appropriate for the size and nature of the group. On the basis of our review, we approved the plan.

## Corporate assurance and risk effectiveness

The committee reviews the effectiveness of the Corporate Assurance and Risk team throughout the year using a variety of inputs including audit reports, interaction with committee members and management, and monitoring progress of the internal audit plan. We pay attention to whether the function has adequate standing across the group, is free from management influence or other restrictions and is sufficiently resourced. We discuss the calibre, knowledge and experience of individual auditors. The performance of the function is reviewed annually. During the 2018/19 financial year, the committee considered the results of a self-assessment against the Institute of Internal Auditor's standards of integrity, objectivity, confidentiality and competence. Following our assessment, improvement actions were identified, the progress of which is monitored by the committee.

## Risk management

Working with the board, the risk assurance processes (including the assurance framework and key control questionnaire) were reviewed and refined. We concentrate primarily on reviewing the mitigating controls and the levels of assurance over these, whereas the board is directly responsible for managing risks. The board may ask for additional assurance to be provided and this can be carried out by the Corporate Assurance and Risk function which reports back on this to the committee.

## Speak up issues

The committee receives an update on the speak up (whistleblowing) process, where we review the procedures to ensure they are proportionate and independent. The committee was pleased to see that based on the number of speak ups, the organisation is comfortable raising matters through this channel.

## External auditor

### Tenure

In July 2018, following a successful tender and in line with EU legislation on audit firm rotation, we welcomed PwC as our new auditor.

## Audit transition

During the year we have overseen a smooth transition from the former auditor KPMG, which included PwC shadowing KPMG through our full year results process for 2017/18 and attending one of our committee meetings prior to formal appointment. The Chief Financial Officer and I have met regularly with both lead partners from the firms to ensure that there was a smooth handover. We would like to thank KPMG for the service given to the group over many years.

Bringing in a new auditor has brought fresh energy to the role, new questions have been asked and areas have been reassessed. We are pleased with the way the change has been managed as well as the output, which we consider to be a robust audit.

## External audit plan

PwC performed detailed audit planning activities and reviewed KPMG's audit files at material locations in order to develop an understanding of the group, the operating environment, and the financial reporting process.

In developing the external audit plan for 2018/19, PwC performed a risk assessment to identify the risks of material misstatement to the financial statements. This considered the nature, magnitude and likelihood of each risk identified and the relevant controls in place, in order to identify the audit risks. The key audit matters are referred to in the independent auditor's report on pages 225 to 227 and formed the basis of the plan.

In determining the scope of coverage, consideration was given to management reporting, the group's legal entity structure, the financial results as at 31st March 2018 and the forecast for 2018/19. Details of the coverage and the agreed scope are set out in the independent auditor's report on page 224. The committee was pleased that the plan included an increased alignment with sector reporting when compared with previous years. This had been a matter discussed during the audit tender process. The procedures to be performed at a global level and the planned site visits were also reviewed. Materiality was agreed at approximately 5% of underlying profit.

Following discussion and challenge, we concluded that the proposed plan was sufficiently comprehensive for the purpose of the audit of the group's accounts and approved the proposed fee.

## Audit Committee Report continued

### How we reviewed PwC's performance

The committee is committed to ensuring a high quality audit is performed and, as part of the tender process carried out last year, recommended that PwC be appointed due to its strong team with the skills, experience and independence to provide rigour and challenge in the audit. The committee reviews the ongoing effectiveness and quality of the external auditor and audit process throughout the year, based on its reports to the committee, the performance of Mark Gill and his team both in and outside committee meetings, how they interact with and challenge management and how they are building relationships with the internal audit teams. We have also met with key members of Mark's team, and the Chief Financial Officer and I met with the audit partner in China, one of our key geographical locations. It is intended that the Chief Financial Officer and I continue to meet with local audit partners when visiting group sites, as this allows us to reassure ourselves of their capability to deliver the audit quality we expect.

In addition to this, the committee feels it is important to understand management's opinion of audit quality and effectiveness and a feedback questionnaire on the external auditors is completed annually by the Executive Directors and senior management.

### Provision of non-audit services

In light of legislation and the FRC's Revised Ethical Standard, the committee has adopted a policy on the provision of non-audit services which identifies certain types of engagement that the external auditor must not undertake, including tax services, the preparation of accounting records and risk management procedures. It also sets out the circumstances in which a former employee of PwC can be employed by Johnson Matthey and the procedure for obtaining approval for such employment. The policy includes key controls to ensure that the provision of non-prohibited services does not create a threat to PwC's auditor independence and objectivity.

The auditor can be invited to provide non-audit services which, in its position as auditor, it is best placed to undertake and which do not impact auditor objectivity or independence. The policy sets out how approval should be obtained prior to PwC being engaged. Services likely to cost £25,000 or less must be approved by the Chief Financial Officer, services likely to cost more than £25,000 but £100,000 or less must be approved by myself as committee Chairman. Services likely to cost over £100,000 must be approved by the committee. During the year, the committee approved the engagement of PwC to provide certain immigration advisory services. The engagement cost approximately £150,000. These services have been provided to the group since 2017, following a competitive selection process. Plans are in place for PwC to cease providing these services by December 2019.

Compliance against the policy and the provision of non-audit services and details of the non-audit services provided by PwC and associated fees were reviewed during the year. Non-audit fees in the year were £0.5 million compared with audit fees of £2.6 million. The non-audit fees predominantly comprised global immigration services. More information on fees incurred by PwC for non-audit services, as well as the split between PwC's audit and non-audit fees, can be found in note 10 on the accounts, page 180.

The committee will review the policy on the provision of non-audit services later this year.

### Objectivity and independence

The committee is responsible for monitoring and reviewing the objectivity and independence of the external auditor to ensure this is safeguarded. The committee considered the information provided by the auditor, confirming its staff involved with the audit have no links or connections to JM and that the FRC's Revised Ethical Standard were complied with. The committee concluded that PwC was independent.

### Proposed re-appointment of PwC

Given the work undertaken by the committee in assessing PwC's performance and independence, a resolution proposing PwC's re-appointment as the company's auditor and authorising the Audit Committee to determine its remuneration is included in the Notice of the 2019 Annual General Meeting.

### Statement of compliance

The committee confirms that during the financial year ended 31st March 2019, the company complied with the applicable provisions of the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. As detailed in our report last year, we undertook an audit tender in 2018 and PwC was appointed as external auditor in July 2018. 2018/19 is the first year we have been audited by PwC.

### Committee effectiveness

The committee's performance was reviewed as part of the board's 2018/19 internal review. The committee was considered to be operating effectively, helping to ensure the integrity of financial reporting and that effective oversight of the external and internal auditors is maintained. Given the changing landscape in which JM is operating and as the new ERP system is rolled out, the development of the assurance functions will be reviewed to ensure they adjust their approaches to the advantages of a much simpler systems landscape. More details on how the review was carried out can be found on page 114.

## Our priorities

In last year's annual report we set out our priorities, over and above our business as usual work, for 2018/19. Below, we report on the status of these and set out our priorities for 2019/20.

2018/19	Comments
<ul style="list-style-type: none"> <li>The committee will monitor and support the external audit transition.</li> </ul>	<ul style="list-style-type: none"> <li>Page 129.</li> </ul>
<ul style="list-style-type: none"> <li>Given the significant impact on working capital of precious metal (both customer and owned metal) held by the company, the committee will receive further presentations on how management will oversee this, including a 'teach-in' for the Non-Executive Directors.</li> </ul>	<ul style="list-style-type: none"> <li>A 'teach-in' on the management of metal was delivered to the board in May 2018. The committee has also reviewed strategic metal holdings, metal liquidity ranges and process losses during the year.</li> <li>Page 106.</li> </ul>
<ul style="list-style-type: none"> <li>As the group's new global ERP system is deployed, the committee will pay particular attention to the associated control processes.</li> </ul>	<ul style="list-style-type: none"> <li>We received a specific update on the global ERP system controls as well as updates through internal and external audit. In addition, the board received an update from a specialist team from KPMG, who have provided assurance on this.</li> </ul>
<ul style="list-style-type: none"> <li>Given the substantial increase in planned capital expenditure, the committee will review the control framework around the significant areas of spend.</li> </ul>	<ul style="list-style-type: none"> <li>Due to the significance of the group's capital projects, this was predominantly reviewed by the board during 2018/19. The board received an update from the Capital Projects Director during the year and considered the control framework for the project management office in approving new requests for capex.</li> </ul>
2019/20	
<ul style="list-style-type: none"> <li>The committee will continue to monitor control processes associated with the new global ERP system, as the rollout accelerates.</li> <li>The committee will review the progress being made in increasing controls over the management of cyber risk, given the significance of this risk.</li> <li>The committee will monitor the company's progress to increase its use of data analytics by our assurance providers.</li> </ul>	

The Audit Committee Report was approved by the Board of Directors on 30th May 2019 and signed on its behalf by:



**Alan Ferguson**  
Chairman of the Audit Committee



# Remuneration Report



**Chairman**  
Chris Mottershead

## Members



Patrick Thomas



Alan Ferguson



Odile Desforges



Jane Griffiths



John O'Higgins



Xiaozhi Liu  
(Appointed 2nd April 2019)

## Key Objective:

To ensure that our remuneration arrangements align with shareholders' interests, reward directors and senior executives for performance and are well managed in line with good governance.

## Responsibilities:

- Sets remuneration policy for Executive Directors, Senior Management and the Chairman and determines the application of that policy.
- Oversight of workforce remuneration policies and their alignment with culture.

## 2019/20 Priorities:

- Triennial review of Directors' Remuneration Policy.

## Balancing reward and performance

The purpose of this report is to explain the key matters considered by the committee during the last 12 months and to set out the matters we expect to consider over the coming year.

## Introduction

We submitted our latest Remuneration Policy to shareholders at our 2017 Annual General Meeting (AGM) and appreciated the high level of support we received (92.3% in favour). We also value the continuing constructive dialogue we have had with a number of our shareholders and representatives of institutional investors.

This Annual Report on Remuneration is divided into two parts. The first part sets out the statement of remuneration policy, which summarises our policies and practices (the Remuneration Policy); and the second part sets out how the Remuneration Policy has been applied (the Implementation Report) in 2018/19 and how we intend to apply it in the forthcoming year.

## Our approach to remuneration

The overall objective of Johnson Matthey is to deliver sustained superior shareholder value using our world class science and our competitive strengths, contributing to a cleaner, healthier world.

Our remuneration strategy focuses on: motivating our talent to achieve the company's strategic objectives; delivering on customer commitments; inspiring employees; and driving value for our shareholders through long term success and growth. This long term focus is supported by our Remuneration Policy, which includes an incentive structure that is purposefully weighted towards long term performance and includes shareholding guidelines for Executive Directors at, or above, 200% of salary.

We also give consideration to how performance is delivered when determining incentive plan outcomes with appropriate consideration given to any environmental, social and governance risks to ensure that the performance delivered is sustainable and fully aligned with our company values.

Our remuneration strategy is also designed to be competitive in the various markets in which we operate and compete for talent.

## 2019 Incentive plan outcomes

During the year Johnson Matthey delivered strong sales growth and continued to successfully implement the board's strategy through: sustained growth in our Clean Air sector; expanding the pipeline in our Health Sector; market leading growth in our Efficient Natural Resources Sector; and developing our Battery Materials business for future growth. We have also made a number of key capital investments in both our Clean Air Sector and Battery Materials business in line with our strategy.

During 2017/18 the committee concluded that given the company's current clearly identified strategic objectives it would be appropriate to recognise these through the introduction of a weighting of 20% to non-financial objectives within the annual incentive plan for 2018/19.

These non-financial objectives focused on deliverables to support our strategy relating to science, customers, operations and people. Delivery against the objectives was also underpinned by demonstrating expected leadership behaviours and achieving a satisfactory health and safety record over the year. As this is the first year of having non-financial objectives our approach to defining and reporting on these will evolve over the next few years. The remainder of the bonus is based on financial metrics relating to profit and working capital. Further details on the performance against the targets is set out within our Implementation Report.

Overall, we achieved growth in underlying profit before tax and reduced the average working capital days excluding precious metals during the year. The Committee's evaluation of each executive director's achievements against their individual strategic objectives is set out on page 145.

As a result of the financial achievements over the year, and the committee's evaluation of individual strategic objectives, the bonuses becoming payable are 44.8% of the maximum for Robert MacLeod, 47.8% of the maximum for Anna Manz and 46.7% of the maximum for John Walker.

In the context of a challenging market environment, and the progress made against our long term strategy, the committee considered the level of annual bonus payout appropriate.

The long term incentive awards granted on 1st August 2016 will be eligible to vest on the third anniversary of their grant subject to satisfying challenging three-year underlying earnings per share (EPS) growth performance targets. As a result of achieving annualised growth EPS of 7.7% over the three year period to 31st March 2019, which was above the threshold target of 4% compound annual growth, and achieving a satisfactory return on invested capital (ROIC) over the performance period particularly given the current level of capital investment, it is expected that vesting will take place at 66.8% of the maximum.

## Applying Remuneration Policy in 2020

The 2020 Annual General Meeting (AGM) will mark the third anniversary of the introduction of our current Remuneration Policy. In line with the current regulatory framework, we will be required to seek shareholder approval for an updated remuneration policy at that AGM.

With regards to the operation of our current remuneration policy for the final time in 2019/20, this will operate on broadly the same basis as in 2018. The key points to note are set out below.

**Salary review:** the executive directors received salary increases at a rate of 2.5% of their basic salaries with effect from 1st April 2019. This rate of increase was consistent with the increase typically awarded across UK employees.

**Annual bonus:** the annual bonus structure will continue to operate using the same overall framework as in 2019 with bonuses earned based on performance against a challenging range of targets relating to (i) underlying profit before tax (ii) working capital days and (iii) individual strategic targets.

**Long term incentive awards:** the performance targets to operate will be the same as those used for the 2018 awards. Vesting will be based on the satisfaction of challenging three-year EPS growth targets and delivering a satisfactory ROIC.

However, reflecting wider market practice, a two year holding period will apply to the shares that vest in relation to the awards to be granted in 2019.

## 2018 UK Corporate Governance Code

The 2018 Code will apply to Johnson Matthey for the first time from the start of the 2019/20 financial year. As a result, the committee has considered the new remuneration-related provisions included in the code and intends to update its existing policy to take account of the changes with effect from the 2020 AGM.

For example, the committee intends to include a minimum two-year holding period on future vested long term incentive plan awards (with this approach being voluntarily adopted for the 2019 awards outside of the current policy), along with establishing an appropriate policy on share ownership post-cessation of employment. The new policy will be finalised following a consultation exercise with our shareholders as part of our triennial review of executive remuneration and will become effective, subject to shareholder approval, with effect from our AGM in July 2020.

The committee additionally recognises the requirements and expectations in relation to executive director pension provisions, with this aspect of remuneration also to form part of our review process.

## Group employee considerations

During the year the company's UK pension plan was reviewed to mitigate increasing costs as well as ensure risk was appropriately and effectively managed.

In addition, we reviewed the pay levels of employees below the board, particularly in relation to the UK gender pay gap.

Our UK gender pay gap reduced from 9.2% to 8.5% but we realise that there is still more work to be done. It will take some time for the current gap to be narrowed and to tackle the root causes of our gender imbalance, however the company is fully committed to ensuring a truly inclusive culture that supports diversity and already has a number of programmes and actions in place to improve our gender balance.

## 2019 Annual General Meeting

I ask you to support our 2018/19 Annual Report on Remuneration at our forthcoming AGM on 17th July 2019. We believe that our policy is simple, transparent and effective, strongly supporting our business strategy.

We welcome an open dialogue with our shareholders and I will be available at the meeting to answer any questions about the work of the Remuneration Committee.



**Chris Mottershead**

Chairman of the Remuneration Committee

# Remuneration Report continued

## Remuneration overview

### Remuneration Policy

The table below sets out the remuneration policy for the 2019/20 financial year. Further details are set out in the Directors' Remuneration Policy on page 135 and the Annual Report on Remuneration on page 142.

Remuneration element	Remuneration structure
<b>Base salary</b>	Current annual salaries are as follows: Robert MacLeod – £838,500 (2018/19 £818,000) Anna Manz – £528,000 (2018/19 £515,000) John Walker – £480,000 (2018/19 £468,250)  The 2019/20 salaries shown above include a salary increase effective from 1st April 2019 of 2.5% for Robert MacLeod, Anna Manz and John Walker.
<b>Benefits</b>	Medical, life and income protection insurance, medical assessments, a car cash allowance, matching shares under the all employee share incentive plan and assistance with tax advice and tax compliance services where appropriate.
<b>Pension contribution</b>	25% of salary cash supplement in lieu of pension.
<b>Annual bonus</b>	180% of salary for the Chief Executive and 150% of salary for other Executive Directors. The bonus for 2019/20 will be substantially based on key financial measures (80% of maximum opportunity), including underlying profit before tax (PBT) and working capital performance. It will also include an element attributable to non-financial strategic objectives (20% of maximum opportunity) focusing on our strategy, customers, operations and people.  50% of any bonus earned is deferred in shares for three years.
<b>Long term incentive</b>	200% of salary for the Chief Executive and 175% of salary for other Executive Directors.  Awards vest subject to achieving challenging EPS growth targets (with a ROIC underpin).  Targets for unvested awards require 4% to 10% p.a. underlying EPS growth for 15% to 100% vesting.  Performance is measured over three years with awards vesting in equal tranches over three, four and five years. However, reflecting wider market practice, a two year holding period will apply to the shares that vest in relation to the awards to be granted in 2019.
<b>Shareholding guidelines</b>	250% of salary for the Chief Executive and 200% of salary for other Executive Directors.  50% of the shares (net of tax) vesting under the incentive schemes must be retained until the guideline holding has been achieved.

### 2018/19 outcomes

The table below sets out the remuneration outcomes for the Executive Directors for 2018/19.

£'000	Salary	Benefits	Annual bonus <sup>1</sup>	Long term incentive	Pension	Total
Robert MacLeod	818	28	660	1,073	205	<b>2,784</b>
Anna Manz	515	22	369	592	129	<b>1,627</b>
John Walker	468	64	328	519	117	<b>1,496</b>

<sup>1</sup> In accordance with the rules of the plan, 50% of the bonus payable is awarded as shares and deferred for three years and are not subject to any further performance conditions.

Annual bonuses for Robert MacLeod and Anna Manz were based on the underlying profit before tax and working capital of the group plus strategic objectives and paid out at 44.8% of the maximum for Robert and 47.8% of maximum for Anna. The bonus for John Walker was based on the underlying profit before tax and working capital of the group plus underlying operating profit of the Clean Air sector and strategic objectives and paid out at 46.7% of the maximum. 50% of the bonus paid to the Executive Directors was paid in shares and deferred for three years.

The long term incentive plan awards were based on underlying EPS performance to 31st March 2019 and vested at 66.8% of the maximum following underlying EPS growth over the performance period of 7.7% per annum. In light of the challenging external market conditions in place during the three year performance period, the Committee was satisfied that the vesting result was appropriate. In reaching this conclusion, the Committee also took account of the fact that the company's ROIC over the period was good taking into account the level of current capital investment. The shares will be released in equal tranches in 2019, 2020, 2021.

## Directors' Remuneration Policy

Below we publish the Remuneration Policy table, which includes the elements of directors' remuneration. For each element we describe its purpose and its link to strategy, how it works, the opportunity, boundaries and performance measures and any clawback or withholding conditions which may apply. This Remuneration Policy was subject to a shareholder vote at the 2017 AGM, where shareholders voted 92.3% in favour, and applies to all remuneration for the financial year commencing 1st April 2017 onwards.

### Remuneration Policy table

Purpose and link to strategy	Key outcomes	Potential value of element and performance measures
<b>Base salary</b>		
Base salary is the basic pay for doing the job. Its purpose is to provide a fair and competitive level of base pay to attract and retain individuals of the calibre required to lead the business.	<p>Base salaries will be reviewed annually and any changes normally take effect from 1st April each year.</p> <p>In determining salaries and salary increases, the Remuneration Committee will take account of the performance of the individual director against a broad set of parameters including financial, environmental, social and governance issues.</p> <p>The Remuneration Committee will further take into account the length of time in post and the level of salary increases awarded to the wider Johnson Matthey workforce.</p> <p>Salaries across the group are benchmarked against a comparator group of similarly sized companies within the FTSE, with a comparable international presence and geographic spread and operating in relevant industry sectors.</p> <p>New appointments or promotions will be paid at a level reflecting the Executive Director's level of experience in the particular role and experience at board level. New or promoted Executive Directors may receive higher pay increases than typical for the group over a period of time following their appointment as their pay trends toward an appropriate level for their role.</p>	<p><b>Maximum opportunity</b></p> <p>No salary increase will be awarded which results in a base salary which exceeds the competitive market range.</p> <p>Details of the current salaries for the Executive Directors are shown in the Annual Report on Remuneration on page 143.</p>
<b>Annual incentive</b>		
<p>The annual bonus provides a strong incentive aligned to strategy in the short term. The annual bonus allows the board to ensure that the company's plans are properly reflected in stretching but achievable annual budgets.</p> <p>The annual bonus plays a key part in the motivation and retention of Executive Directors, one of the key requirements for long term growth.</p> <p>Bonus deferral as well as malus and clawback provisions ensure that longer term considerations are properly taken into account in the pursuit of annual targets.</p>	<p>The Remuneration Committee sets annual bonus performance measures and targets for each new award cycle. At the end of the year, the Remuneration Committee determines the extent to which these have been achieved. The Remuneration Committee retains the discretion to reduce any bonus award if, in its opinion, the underlying financial performance of the company has not been satisfactory in the circumstances.</p> <p><b>Deferral</b></p> <p>Of any bonus paid, 50% is paid in cash and the remaining 50% is deferred into shares for a three year period as an award under the deferred bonus plan. No further performance conditions apply to awards under the deferred bonus plan. Dividends that accrue on the deferred shares during the vesting period will be paid in either cash and / or shares at the time of vesting.</p> <p><b>Malus and clawback</b></p> <p>The cash and deferred elements of the bonus are subject to malus and clawback provisions such that they can be forfeited or recouped in part or in full in the event of a misstatement of results, error in the calculation or misconduct by the individual.</p> <p><b>Adjustments</b></p> <p>The Remuneration Committee retains discretion to change the performance targets if there is a significant or material event which causes the committee to believe the original targets are no longer appropriate (e.g. to reflect material acquisitions or disposals).</p> <p>The Remuneration Committee also retains discretion to amend the level of annual bonuses determined by the performance condition to seek to ensure that the incentive structure for Executive Directors does not raise environmental, social and governance risks by inadvertently motivating irresponsible behaviour. For example, reducing or eliminating bonuses where the company has suffered reputational damage or where other aspects of performance have been unacceptable.</p> <p>The Remuneration Committee retains the ability to increase bonus awards from the formulaic outcome where there is identifiable and exceptional performance by the Executive Director. Bonus payments in such circumstances would remain within the maximum bonus opportunity and shareholders would be fully informed of the justification.</p>	<p><b>Performance measures</b></p> <p>Bonuses are based on the achievement of demanding financial and, where appropriate, non-financial targets. The Remuneration Committee may use different performances and weightings for each performance cycle as appropriate to take into account the strategic needs of the business. However, a substantial proportion will be based on key financial measures, including budgeted underlying profit before tax (PBT).</p> <p>The budget is set on a robust bottom up process to achieve full accountability. The target budgeted underlying PBT is retrospectively published in the immediately following Annual Report on Remuneration. Details of last year's bonus awards are on page 143.</p> <p>The performance period for annual bonus purposes matches the financial year (1st April to 31st March).</p> <p><b>Maximum opportunity and vesting thresholds</b></p> <p>Chief Executive – 180% of base salary.</p> <p>Other Executive Directors – 150% of base salary.</p> <p>Threshold vesting will result in a bonus of 15% of maximum opportunity. On target performance will result in 50% payment of the maximum opportunity.</p>



## Remuneration Report continued

Purpose and link to strategy	Key outcomes	Potential value of element and performance measures
<b>Long term incentive</b>		
<p>The Performance Share Plan (PSP) is a long term incentive plan designed to ensure that executives take decisions in the interest of the longer term success of the group. Having a measure that looks at profitable growth over the longer term ensures that the interests of executives are aligned with shareholder wishes for long term value.</p>	<p>Shares may be awarded each year and are subject to performance conditions over a three year performance period. Subject to performance conditions being met, the shares will vest in equal instalments on the third, fourth and fifth anniversary of the date of award.</p> <p>The performance targets are set by the Remuneration Committee based on internal and external growth forecasts to ensure they remain appropriate and aligned with shareholder expectations.</p> <p>The awards are granted in accordance with the rules of the plan approved by shareholders. The maximum award level is 200% of base salary. Awards may be granted in the form of conditional shares, nil or nominal cost options or cash (where the awards cannot be settled in shares). Dividends that accrue between the third and fifth anniversary of the award date will be paid in either cash and / or shares at the time of vesting.</p> <p><b>Malus and clawback</b></p> <p>Long term incentive plan awards granted since 2014 are subject to malus and clawback provisions that can apply in the case of a misstatement of results, error in the calculation or misconduct by the individual.</p> <p><b>Adjustments</b></p> <p>The Remuneration Committee has power to adjust the vesting level of an award based on the underlying performance of the company.</p> <p>The Remuneration Committee may adjust the performance measure to reflect material changes (e.g. significant acquisitions or disposals, share consolidation, share buy-backs or special dividends). Any such change would be fully explained to shareholders.</p>	<p><b>Performance measures</b></p> <p>PSP vesting is currently based on the compound annual growth rate (CAGR) of underlying EPS over a three year performance period, subject to a discretionary ROIC underpin.</p> <p>However, the Remuneration Committee retains discretion to amend the targets and the performance measures for future awards as appropriate to reflect the business strategy. Wherever possible, the views of major shareholders will be sought when it is proposed to make any substantive changes to the performance measures.</p> <p>The prospective targets and measures for the year commencing 1st April 2018 are shown on page 146.</p>
<b>Benefits</b>		
<p>To provide a market aligned benefits package.</p> <p>The purpose of any benefit is to align with normal market practices and to remove certain day to day concerns from Executive Directors to allow them to concentrate on the task in hand.</p>	<p>Benefits include medical, life and income protection insurance, medical assessments, company sick pay, and a company car (or equivalent). Other appropriate benefits may also be provided from time to time at the discretion of the Remuneration Committee.</p> <p>Directors' and officers' liability insurance is maintained for all directors.</p> <p>Directors who are required to move for a business reason may, where appropriate, also be provided with benefits such as relocation benefits (e.g. the provision of accommodation, transport or medical insurance away from their country of residence) and schooling for dependents. The company may pay the tax on these benefits.</p> <p>Directors may be assisted with tax advice and tax compliance services.</p> <p>The company will reimburse all reasonable expenses (including any tax thereon) which the Executive Director is authorised to incur whilst carrying out executive duties.</p>	<p>Benefits are not generally expected to be a significant part of the remuneration package in financial terms and are there to support the director in his or her performance in the role. In general benefits will be restricted to the typical level in the relevant market for an Executive Director.</p> <p>Car benefits will not exceed a total of £25,000 per annum.</p> <p>The cost of medical insurance for an individual Executive Director and dependents will not exceed £15,000 per annum.</p> <p>Company sick pay is 52 weeks' full pay.</p>
<b>Pension</b>		
<p>Provides for post-retirement remuneration, ensures that the total package is competitive and aids retention.</p>	<p>All Executive Directors will be paid a cash supplement in lieu of membership in a pension scheme.</p>	<p>The maximum supplement is 25% of base salary.</p> <p>In relation to any future Executive Director appointments it is not anticipated that they would receive a pension supplement greater than the typical cost of providing pension benefits in their local country.</p>

Purpose and link to strategy	Key outcomes	Potential value of element and performance measures
<b>All employee share plan</b>		
Encourages share ownership.	<p>Executive Directors are entitled to participate in the company's all employee share incentive plan, under which regular monthly share purchases are made and matched with the award of company shares, subject to retention conditions.</p> <p>Executive Directors would also be entitled to participate in any other all employee arrangements that may be established by the company on the same terms as all other employees.</p>	Executive Directors are entitled to participate up to the same limits in force from time to time for all employees.
<b>Shareholding requirements</b>		
To encourage Executive Directors to build a shareholding in the company and ensure the interests of management are aligned with those of shareholders.	<p>Executive Directors are expected to build up a shareholding in the company over a reasonable period of time.</p> <p>Shares that count towards achieving these guidelines include: all shares beneficially owned by an Executive Director or a person connected to the executive as recognised by the Remuneration Committee; deferred bonus shares and long term incentive awards which are no longer subject to performance conditions but have not yet vested.</p> <p>Executive Directors are expected to retain at least 50% of the net (after tax) vested shares that are released under the long term PSP and deferred bonus plans until the required levels of shareholding are achieved.</p> <p>Executive Directors are not required to make personal share purchases should awards not meet the performance conditions and so a newly appointed director may take longer to reach the expected level, depending on the company's performance against targets over the period.</p>	<p>The minimum shareholding requirement is as follows:</p> <p>Chief Executive – 250% of base salary.</p> <p>Other Executive Directors – 200% of base salary.</p> <p>There is no requirement for Non-Executive Directors to hold shares but they are encouraged to acquire a holding over time.</p>
<b>Non-Executive Director fees</b>		
Attracts, retains and motivates Non-Executive Directors with the required knowledge and experience.	<p>Non-Executive Director fees are determined by the board. The Non-Executive Directors exclude themselves from such discussions. The fees for the Chairman are determined by the Remuneration Committee taking into account the views of the Chief Executive. The Chairman excludes himself from such discussions.</p> <p>Non-Executive Directors are paid a base fee each year with an additional fee for each committee chairmanship or additional role held.</p> <p>Non-Executive Director fees are reviewed every year. Any increase will take into account the market rate for the relevant positions within a comparator group of similarly sized companies with a comparable international presence and geographic spread and operating in relevant industry sectors, the experience of the individuals and the expected time commitment of the role.</p> <p>In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment.</p> <p>The company will also reimburse the Chairman and Non-Executive Directors for all reasonable expenses (including any tax thereon) incurred whilst carrying out duties for the company.</p>	<p>Details of the current fee levels for the Chairman and Non-Executive Directors are set out in the Annual Report on Remuneration on page 150.</p> <p>The fee levels are set subject to the maximum limits set out in the Articles of Association.</p>

# Remuneration Report continued

## Selection of performance targets

### Annual incentive

Financial performance targets under the annual bonus plan are set by the Remuneration Committee with reference to the prior year and to the budgets and business plans for the coming year, ensuring the levels to achieve threshold, target or maximum payout are appropriately challenging.

The performance targets for 2019/20 are substantially based on financial measures (80% of maximum opportunity) including budgeted underlying PBT and working capital to ensure that there is strong attention paid to delivery of current operational plans and operational efficiency. In addition, an element of the bonus is attributable to the achievement of strategic objectives (20% of maximum opportunity) focusing on our strategy and relating to our science, customers, operations and people.

Commercial sensitivity precludes the advance publication of the actual bonus targets but these targets will be retrospectively published in the Annual Report on Remuneration for 2019/20.

### Long term incentive

EPS targets under the PSP are set to reflect the company's longer term growth objectives at a level where the maximum represents genuine outperformance. Underlying EPS is considered a simple and clear measure of absolute growth in line with the company's strategy. It is also a key objective of the company to achieve earnings growth only in the context of a satisfactory performance on ROIC. Accordingly, the Remuneration Committee makes an assessment of the group's ROIC over the performance period to ensure underlying EPS growth has been achieved with ROIC in line with the group's planned expectations.

## Group employee considerations

The Remuneration Committee considers the directors' remuneration, along with the remuneration of the GMC with effect from 1st April 2019, in the context of the wider employee population and is kept regularly updated on pay and conditions across the group. The company has not consulted directly with employees with respect to directors' remuneration. Increases in base salary for directors will take into account the level of salary increases granted to all employees within the group.

The general principle for remuneration in Johnson Matthey is to pay a competitive package of pay and benefits in all markets and at all job levels in order to attract and retain high quality and diverse employees. The proportion of variable pay increases with progression through management levels with the highest proportion of variable pay at Executive Director level, as defined by the Remuneration Policy.

The key elements of variable pay cascade down through the next tiers of senior management with appropriate reductions in opportunity levels based on seniority. The group's senior executives plus senior and middle managers (approximately 1,350 employees) participate in the annual bonus plan (with performance conditions similar to those described in the Remuneration Policy). In addition, the group's senior executives and certain senior management participate in the long term PSP in line with the same EPS based performance conditions. Executive Directors are subject to vesting in three tranches on their long term incentive plan awards, and Executive Directors, members of the GMC and senior management are subject to deferral of annual bonus. Certain senior management also participate in a long term Restricted Share Plan (RSP) which has no performance conditions attached. No Executive Director is eligible to participate in this RSP.

There are also a number of country and business dependent arrangements under which bonuses may be paid to the entire business workforce where performance conditions associated with profitability are met.

Johnson Matthey operates a number of pension arrangements around the world, relevant to the local conditions and arrangements.

The key element of remuneration for those below senior management grades is base salary and Johnson Matthey's policy is to ensure that base salaries are fair and competitive in the local markets. General pay increases take into account local salary norms, local inflation and business conditions.

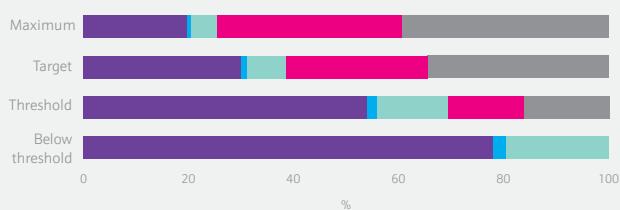
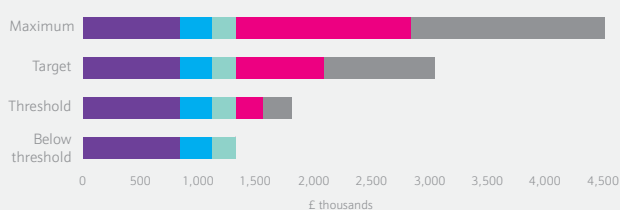
## Remuneration scenarios

Below is an illustration of the potential future remuneration that could be received by each Executive Director for the year commencing 1st April 2019, both in absolute terms and as a proportion of the total package under different performance scenarios. The value of the PSP is based on the award that will be granted in August 2019.

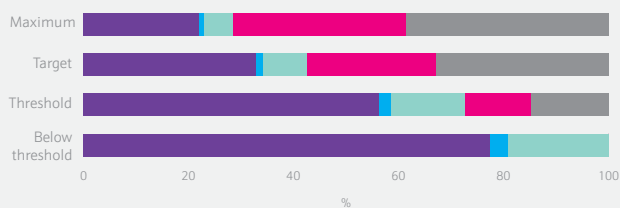
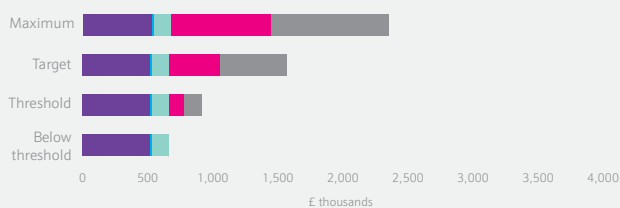
### Value of package

### Composition of package

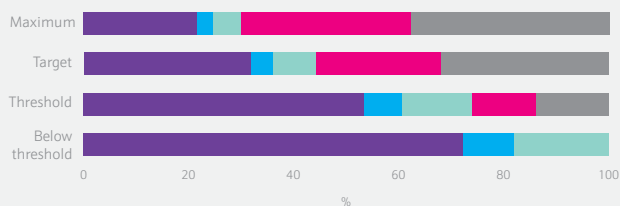
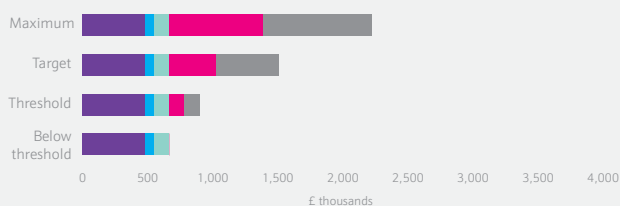
#### Robert MacLeod



#### Anna Manz



#### John Walker



■ Base salary
 ■ Benefits
 ■ Pension
 ■ Bonus
 ■ PSP



## Remuneration Report continued

### Approach to recruitment remuneration

The recruitment policy provides an appropriate framework within which to attract individuals of the required calibre to lead a company of Johnson Matthey's size, scale and complexity. The Remuneration Committee determines the remuneration package for any appointment to an Executive Director position, either from within or outside Johnson Matthey.

The following table sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director and the approach to be adopted by the Remuneration Committee in respect of each component.

Area	Policy and operation
<b>Overall</b>	The policy of the board is to recruit the best candidate possible for any board position and to structure pay and benefits in line with the Remuneration Policy set out in this report. The ongoing structure of a new recruit's package would be the same as for existing directors, with the possible exception of an identifiable buy-out provision, as set out below.
<b>Base salary or fees</b>	Salary or fees will be determined by the Remuneration Committee in accordance with the principles set out in the policy table on page 135.
<b>Benefits and pension</b>	An Executive Director shall be eligible for benefits and pension arrangements in line with the company's policy for current Executive Directors, as set out in the policy table on pages 136 and 137. For new hires the cash supplement payable will be more aligned to that payable to other employees.
<b>Annual incentive</b>	The maximum level of opportunity is as set out in the policy table on page 135.  The Remuneration Committee retains discretion to set different performance targets for a new externally appointed Executive Director, or adjust performance targets and measures in the case of an internal promotion, to be assessed over the remainder of the financial year. In this case any bonus payment would be made at the same time as for existing directors, and any such award would be pro-rated for the time served in the performance period.
<b>Long term incentive</b>	The maximum level of opportunity is as set out in the policy table on page 136.  In order to achieve rapid alignment with the company's and shareholder interests, the Remuneration Committee retains discretion to grant a PSP award to a new externally appointed Executive Director on or soon after appointment if they join outside of the normal grant period.
<b>Replacement awards</b>	The Remuneration Committee retains discretion to grant replacement buy-out awards (in cash or shares) to a new externally appointed Executive Director to reflect the loss of awards granted by a previous employer. Where this is the case, the Remuneration Committee will seek to structure the replacement award such that overall it is on an equivalent basis to broadly replicate that foregone, using appropriate performance terms. If granted, any replacement buy-out award would not exceed the maximum set out in the rules of the 2017 Performance Share Plan Rules (350% of base salary).  If the Executive Director's prior employer pays any portion of the remuneration that was anticipated to be forfeited, the replacement awards shall be reduced by an equivalent amount.
<b>Other</b>	The Remuneration Committee may agree that the company will meet certain mobility costs, relocation costs, including temporary living and transportation expenses, in line with the company's prevailing mobility policy for senior executives as described in the policy table on page 136.

In the case of an internal promotion to the board, the company will honour any contractual commitments made prior to the promotion.

### Service contracts and policy on payment for loss of office

The following table summarises relevant key provisions of Executive Directors' service contracts and the treatment of payments on termination of employment. The full contracts of service of the Executive Directors (as well as the terms and conditions of appointment of the Non-Executive Directors) are available for inspection at the registered office of the company during normal business hours as well as prior to and during the forthcoming AGM.

In exceptional circumstances, the Remuneration Committee may authorise, where it considers it to be in the best interests of the company and shareholders, entering into contractual arrangements with a departing Executive Director, for example a settlement, confidentiality, restrictive covenant or other arrangement, pursuant to which sums not set out in the following table may become payable. Full disclosure of the payments will be made in accordance with the remuneration reporting requirements.

The table on the following page describes the contractual conditions pertaining to the contracts for Robert MacLeod, Anna Manz and John Walker and for any future Executive Director.

## Summary of key provisions of Executive Directors' service contracts and treatment of payments on termination

	Robert MacLeod	Anna Manz	John Walker <sup>1</sup>
<b>Date of service agreement</b>	31st January 2014	25th July 2016	31st January 2014
<b>Date of appointment as director</b>	22nd June 2009	17th October 2016	9th October 2013
<b>Employing company</b>	Johnson Matthey Plc		
<b>Contract duration</b>	No fixed term		
<b>Notice period</b>	No more than 12 months' notice, with equal notice from the company and director except for directors who joined before 1st January 2017 where the director's notice period is six months and the notice period from the company is 12 months.		
<b>Post-termination restrictions</b>	<p>The contracts of employment contain the following restrictions on the director for the following periods from the date of termination of employment:</p> <ul style="list-style-type: none"> <li>– non-compete – six months;</li> <li>– non-dealing and non-solicitation of client / customers – 12 months;</li> <li>– non-solicitation of suppliers and non-interference with supply chain – 12 months; and</li> <li>– non-solicitation of employees – 12 months.</li> </ul>		
<b>Summary termination – payment in lieu of notice (PILON)</b>	<p>The company may, in its absolute discretion, terminate the employment of the director with immediate effect by giving written notice together with payment of a sum equivalent to the director's base salary and the value of their contractual benefits as at the date such notice is given, in respect of the director's notice period, less any period of notice actually worked.</p> <p>The company may elect to pay the PILON in equal monthly instalments. The director is under a duty to seek alternative employment and to keep the company informed about whether they have been successful. If the director commences alternative employment, the monthly instalments shall be reduced. (if appropriate to nil) by the amount of the director's gross earnings from the alternative employment. A PILON paid to a director who is a US taxpayer (John Walker) would be in equal monthly instalments.</p>		
<b>Termination payment – change of control</b>	If, within one year after a change of control, the director's service agreement is terminated by the company (other than in accordance with the summary termination provisions), the company shall pay, as liquidated damages, one year's base salary, together with a sum equivalent to the value of the director's contractual benefits, as at the date of termination, less the period of any notice given by the company to the director.		
<b>Termination – treatment of annual incentive awards</b>	<p>Annual bonus awards are made at the discretion of the Remuneration Committee. Employees, including Executive Directors, leaving the company's employment will receive a bonus, pro-rata to service, unless the reason for leaving is resignation or misconduct. Any bonus awarded would continue to be subject to deferral as set out in the Remuneration Policy.</p> <p>In relation to deferred bonus awards which have already been made, shares will be released on the normal vesting date unless one of the following circumstances applies, and subject to the discretion of the Remuneration Committee:</p> <ul style="list-style-type: none"> <li>• the participant leaves as a result of misconduct; or</li> <li>• the participant, prior to vesting, breaches one of the post-termination restrictions or covenants provided for their employment contract, termination agreement or similar agreement.</li> </ul> <p>In which case the deferred awards will lapse on cessation of employment.</p> <p>The Remuneration Committee has the discretion to accelerate vesting of a deferred award if appropriate to do so to reflect the circumstances of the departure. It is intended that this would only be used in the event of a departure due to ill health (or death).</p>		
<b>Termination – treatment of long term incentive awards</b>	Employees, including Executive Directors, leaving the company's employment will normally lose their long term incentive awards unless they leave for a specified 'good leaver' reason, in which case their shares will be released on the normal release dates, subject to the performance condition. The Remuneration Committee has discretion to accelerate vesting, in which case the performance condition would be assessed based on available information at the time. In either case, unless the Remuneration Committee determines otherwise, the level of vesting shall be pro-rated to reflect the proportion of the performance period which has elapsed to the date of leaving. In the post-vesting deferral period, only those who leave due to misconduct will lose their shares.		
<b>Redundancy scheme</b>	The director is not entitled to any benefit under any redundancy payments scheme operated by the company.		
<b>Holiday</b>	Upon termination for any reason, directors will be entitled to payment in lieu of accrued but untaken holiday entitlement.		

<sup>1</sup> John Walker is eligible for continuing post-retirement medical benefits provided he satisfies the conditions of this plan and retires directly from Johnson Matthey.

## Remuneration Report continued

### Chairman and Non-Executive Directors

The Chairman and each of the Non-Executive Directors have letters of appointment. The letters of appointment do not contain any contractual entitlement to a termination payment and the Non-Executive Directors can be removed in accordance with the company's Articles of Association. Directors are required to retire at each AGM and seek re-election by shareholders.

The details, including notice periods, contained in the letters of appointment in relation to the Non-Executive Directors who served during the year are set out in the table below. Neither the Chairman or the Non-Executive Directors has provisions in his or her letter of appointment that relate to a change of control of the company.

Non-Executive Director	Committee appointments	Date of appointment	Expiry of current term	Notice period by the individual	Notice period by the company
Patrick Thomas <sup>1</sup> (Chairman)	R, N	1st June 2018	31st May 2021	6 months	6 months
Odile Desforges <sup>3</sup>	A, R, N	1st July 2013	17th July 2019	1 month	1 month
Alan Ferguson <sup>3</sup>	A, R, N	13th January 2011	23rd July 2020	1 month	1 month
Jane Griffiths	A, R, N	1st January 2017	31st December 2019	1 month	1 month
Chris Mottershead	A, R, N	27th January 2015	26th January 2021	1 month	1 month
John O'Higgins	A, R, N	16th November 2017	15th November 2020	1 month	1 month
Xiaozhi Liu <sup>2</sup>	A, R, N	2nd April 2019	1st April 2022	1 month	1 month

A: Audit Committee R: Remuneration Committee N: Nomination Committee

<sup>1</sup> Patrick Thomas was appointed as Chairman of the board on 26th July 2018, after Tim Stevenson stepped down from the role on the same date.

<sup>2</sup> Xiaozhi Liu was appointed to the board as a Non-Executive Director on 2nd April 2019.

<sup>3</sup> The expiry of the current term was extended during 2018/19.

### External appointments

It is the board's policy to allow Executive Directors to accept non-executive appointments provided there is no conflict of interest and that the time spent would not impinge on their work for Johnson Matthey. Details of external directorships held by Executive Directors, together with fees retained during the year are as follows:

Executive Director	Company	Role held	Fees retained £'000
Robert MacLeod	RELX PLC	Non-Executive Director	108
Anna Manz	ITV plc	Non-Executive Director	76

## Annual Report on Remuneration

This section provides details of how the 2017 Directors' Remuneration Policy was implemented during 2018/19 and how we intend to apply the Policy in 2019/20.

### About the Remuneration Committee

The Remuneration Committee is a committee of the board and comprises all the independent Non-Executive Directors of the company as set out above including the group Chairman Patrick Thomas. Details of attendance at committee meetings during the year ended 31st March 2019 is shown below.

	Date of appointment to committee	Number of meetings eligible to attend	Number of meetings attended	% attended
Chris Mottershead <sup>1</sup>	27th January 2015	5	5	100%
Odile Desforges	1st July 2013	5	5	100%
Alan Ferguson	13th January 2011	5	5	100%
Jane Griffiths	1st January 2017	5	5	100%
John O'Higgins	16th November 2017	5	5	100%
Tim Stevenson <sup>2</sup>	29th March 2011	3	3	100%
Patrick Thomas <sup>2</sup>	1st June 2018	2	2	100%

<sup>1</sup> Chris Mottershead was appointed as Chairman of the committee on 16 November 2017.

<sup>2</sup> Patrick Thomas was appointed as Chairman of the Board on 26th July 2018, after Tim Stevenson stepped down from the role on the same date.

Since the end of the year, the committee has met twice. All committee members attended both meetings, including Xiaozhi Liu who was appointed on 2nd April 2019.

The Remuneration Committee's terms of reference, which were updated during the year, can be found in the Investor Relations / Corporate Governance section of our website and include determination on behalf of the board of fair remuneration for the Chief Executive, the other Executive Directors and the group Chairman (in which case the group Chairman does not participate). In addition, the committee receives recommendations from the Chief Executive on the remuneration of those reporting to him as well as advice from the Chief HR Officer, who acts as secretary to the committee.

## Advisers to the committee

In determining the remuneration structure, the committee appoints and receives advice from independent remuneration consultants on the latest developments in corporate governance and the pay and incentive arrangements prevailing in comparably sized industrial companies. Korn Ferry are now our sole advisor in relation to the advice to the Remuneration Committee and were appointed by the Remuneration Committee based on a review of leading advisors in the market. The total fees paid to Korn Ferry in respect of its services to the committee during the year were £40,457 plus VAT. The fees paid to Korn Ferry are based on the standard market rates Korn Ferry have for Remuneration Committee advisory services.

Korn Ferry also provides consultancy services to the company in relation to certain employee benefits to those below the board. Korn Ferry is a signatory to the Remuneration Consultants Group Code of Conduct.

Herbert Smith Freehills is the committee's legal advisor. There was no requirement during 2018/19 for Herbert Smith Freehills to provide advice to the committee. The committee is aware that Herbert Smith Freehills is one of a number of legal firms that provide legal advice and services to the company on a range of matters.

A statement regarding the use of remuneration consultants for the year ended 31st March 2019 is available on our website.

[matthey.com/corporate-governance](https://matthey.com/corporate-governance)

## Remuneration for the year ended 31st March 2019

### Single figure table of remuneration\*

(this table is auditable along with any subsequent information marked with a \*)

The table below sets out the total remuneration and breakdown of the elements each director received in relation to the year ended 31st March 2019, together with a prior year comparative. An explanation of how the figures are calculated follows the table.

	Base salary / fees £'000		Benefits £'000		Annual incentive £'000		Long term incentive £'000		Pension <sup>3</sup> £'000		Total £'000	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Executive Directors</b>												
Robert MacLeod	818	798	28	21	660	994	1,073	–	205	200	2,784	2,013
Anna Manz	515	490	22	16	369	509	592	–	129	123	1,627	1,138
John Walker	468	457	64	22	328	470	519	–	117	114	1,496	1,063
<b>Non-Executive Directors<sup>1</sup></b>												
Patrick Thomas <sup>2</sup>	256	–	–	–	–	–	–	–	–	–	256	–
Tim Stevenson <sup>2</sup>	116	351	–	–	–	–	–	–	–	–	116	351
Odile Desforges	65	64	–	–	–	–	–	–	–	–	65	64
Alan Ferguson	93	83	–	–	–	–	–	–	–	–	93	83
Jane Griffiths	65	64	–	–	–	–	–	–	–	–	65	64
Chris Mottershead	89	71	–	–	–	–	–	–	–	–	89	64
John O'Higgins	65	24	–	–	–	–	–	–	–	–	65	24

<sup>1</sup> Xiaozhi Liu joined the board as Non-Executive Director on 2nd April 2019.

<sup>2</sup> Patrick Thomas was appointed as Chairman of the Board on 26th July 2018, after Tim Stevenson stepped down from the role on the same date.

<sup>3</sup> Represents a cash allowance in lieu of a pension.

### Payments to former directors\*

There were no payments made to, or in respect of, any former director in 2018/19 that haven't been previously disclosed.

### Payments for loss of office\*

There were no payments for loss of office made to, or in respect of, any director in 2018/19.

# Remuneration Report continued

## Explanation of Figures

<b>Base salary / fees</b>	Salary paid during the year to Executive Directors and fees paid during the year to Non-Executive Directors.
<b>Benefits</b>	All taxable benefits such as medical and life insurance, service and car allowances, matching shares under the all employee share incentive plan and assistance with tax advice and tax compliance services where appropriate.
<b>Annual incentives</b>	Annual bonus awarded for the year ended 31st March 2019. The figure includes any amounts deferred and awarded as shares.
<b>Long term incentives</b>	<p>The 2018 figure represents the value of shares that satisfied performance conditions on 31st March 2018 and will be released on 1st August 2018, 1st August 2019 and 1st August 2020. This value is calculated using the average share price from 1st January 2018 to 31st March 2018 which was 3,184 pence.</p> <p>The 2019 figure represents the value of the shares that satisfied performance conditions on 31st March 2019 and will be released on 1st August 2019, 1st August 2020 and 1st August 2021. This value is calculated using the average share price from 1st January 2019 to 31st March 2019 which was 3,058 pence.</p>
<b>Pension</b>	The amounts shown represent the value of the increase over the year of any defined benefit pension the Executive Director may have in the Johnson Matthey Employees Pension Scheme (JMEPS) plus any cash supplements paid in lieu of pension membership.

## Variable pay – additional disclosures, including bases of calculation and outcomes\*

### 1 Annual bonus for the year ended 31st March 2019

The Executive Directors were eligible for a maximum annual bonus opportunity of 180% of base salary for the Chief Executive and 150% of base salary for the other Executive Directors. The on target bonus opportunity was set at 50% of the maximum opportunity and the threshold bonus opportunity was 15% of salary.

The performance measures and weightings for the annual bonus were as follows:

	Percentage of bonus available			
	Group underlying PBT	Clean Air underlying operating profit	Group working capital days	Strategic objectives <sup>1</sup>
Chief Executive	60%	–	20%	20%
Chief Financial Officer	60%	–	20%	20%
Sector Chief Executive, Clean Air	40%	20%	20%	20%

<sup>1</sup> Individual strategic objectives were introduced as part of the Executive Directors' bonus structure for 2018/19.

Performance targets under the annual bonus plan are set with reference to the prior year and to the budgets and business plans for the coming year, ensuring the levels to achieve threshold, target or maximum payout are appropriately challenging. Financial budgets are built from the bottom up and are subject to a rigorous process of challenge before final proposals are considered by the board. Further information is used in the determination, including a consensus of industry analysts' forecasts, provided by Vara Research.

In relation to the range of profit targets set for the Group as a whole and for the Clean Air sector (i.e. threshold at 95% of the targeted profit number and maximum at 105%), the range was set following consideration of the challenging nature of the bonus target number (which was circa 7.5% above the targets set for 2017/18), the increasing size and complexity of the Group and our 2017/18 strategy which included targeting an increased investment in our Health and Battery Materials businesses. In light of these factors, and the continuing challenging external environment, the Remuneration Committee was comfortable that the ranges of financial targets set were similarly challenging to those operated in prior years.

The strategic objectives are set based on well defined key deliverables that support our strategy relating to science, customers, operations and people.

Achievement against the performance targets for the year ended 31st March 2019 are set out in the tables below.

### Financial targets<sup>1</sup>

Performance measure		Threshold	Target	Maximum	Actual	Actual % of target
Group underlying PBT <sup>2</sup>	£ million	499 (95% of Target)	525	551 (105% of Target)	520	99.1
Clean Air underlying operating profit <sup>2</sup>	£ million	368 (95% of Target)	387	406 (105% of Target)	388	100.3
Group total working capital days <sup>3</sup>	days	34 (105% of Target)	33	31 (95% of Target)	36	110.2
Group working capital days (excluding metal <sup>3</sup> )	days	62 (105% of Target)	59	56 (95% of Target)	59	100.5

<sup>1</sup> All figures in the table have been rounded to the nearest whole number except the actual % of target.

<sup>2</sup> Group underlying PBT and Clean Air underlying operating profit is measured using budget foreign exchange rates.

<sup>3</sup> Working capital days is measured 50% against total working capital days and 50% against working capital days excluding precious metal. This is to ensure that appropriate focus is put on metal management.



Strategic objectives<sup>1</sup>

	Robert MacLeod	Anna Manz	John Walker
<b>Objective</b>	Implement the Battery Materials strategy, including the further commercialisation of the eLNO technology, delivery of the 2018/19 milestones and progress toward the three-year milestone objectives.	Implement the Procurement Excellence strategy and deliver the 2018/19 milestones plus define and progress toward the three-year milestone objectives.	Achieve the Procurement Excellence deliverables for Clean Air for 2018/19 and progress toward the 2019/20 objectives in line with Procurement Excellence Strategy.
<b>Summary Outcome</b>	Key 2018/19 milestone achieved with good progress on the Battery Materials strategy for the first commercial plant and scale-up options, as well as enhancing our technology leadership in the market.	Procurement Excellence programme overdelivering versus plan with significant cost savings achieved. Strong progress made in identifying further potential savings for 2019/20.	Procurement Excellence programme overdelivering versus plan with significant cost savings achieved in Clean Air. Strong progress made in identifying further potential savings for 2019/20.
<b>Objective</b>	Successful delivery of the 2018/19 major capital projects.	Deliver agreed IT security plans.	Ensure that the sector's key capital projects are delivered in line with their business plans.
<b>Summary Outcome</b>	The Group's capital projects capability has been significantly enhanced, while major capital projects are progressing, in particular the two new plants in Clean Air China and Poland.	A strategic programme of work (Cyber Security Infrastructure Improvement Plan) has been fully mobilised to ensure continued resilience of the IT estate, and the plans are on track and agreed milestones for 2018/19 achieved.	The key capital projects in Clean Air are the investments in China and Poland and both of these are progressing.
<b>Objective</b>	Deliver the executive leadership people strategy which includes: <ul style="list-style-type: none"> <li>strengthening leadership capabilities across JM;</li> <li>implementing robust individual development plans, upgrade talent as required; and</li> <li>identify any talent gaps / deficiencies in the leadership structures and take action to address.</li> </ul>	Successfully roll out global ERP system in line with plan.	Successfully roll out global ERP system in line with plan.
<b>Summary Outcome</b>	Considerable work to upgrade talent across JM with key external recruits, including a new CEO for the Battery Materials business. Talent gaps have been clearly articulated and strategies agreed to address over time. Individual development plans are in place and new leadership programmes were introduced to enhance capability and prepare future internal succession.	The initial roll out of our single global ERP system was executed in accordance with our plan, deployed in one of our largest and most complex plants. It was initially challenging as expected, but issues were addressed, and production output is now higher than before this first go live.	The initial roll out of our single global ERP system was executed in accordance with our plan with deployment in one of our largest and most complex plants in Clean Air. It was initially challenging as expected, but issues were addressed, and production output is now higher than before this first go live.
<b>Objective</b>	Implement the Commercial Excellence strategy and deliver the 2018/19 milestones plus define and progress toward the three-year milestone objectives.	Implement a plan to further mitigate metal working capital risk in China.	Implement a plan to further mitigate metal working capital risk in China.
<b>Summary Outcome</b>	Commercial Excellence roadmap is delivering to plan. This plan included the successful introduction of a Sales Academy and a pilot Customer Satisfaction survey in Efficient Natural Resources.	Developed and led the implementation of a rigorous plan to address metal working challenges in China with good early progress made to date.	Good progress has been made executing the plan to mitigate China working capital risks.
<b>Objective</b>			Deliver key new business wins in line with 2018/19 strategic plan.
<b>Summary Outcome</b>			Where business bids were determined, good progress has been made on key business wins which are in line our strategic plan.
<b>Overall Outcome</b>	Robert has set high standards regarding his expectations of his executives in terms of how they lead, how they develop commercial business and how they develop talent. <b>70% achievement<sup>2</sup></b>	Anna, through her commitment and energy has made a significant impact in driving change across JM. <b>85% achievement<sup>2</sup></b>	John embraced and led the execution of some significant operational challenges across Clean Air and set the standard for further ERP deployments. <b>70% achievement<sup>2</sup></b>

<sup>1</sup> Each strategic objective has an equal weighting. For Robert MacLeod and Anna Manz each objective had a 25% weighting and for John Walker each objective had a 20% weighting.

<sup>2</sup> The achievement figures are out of the maximum bonus %, which for strategic objectives has a 20% weighting overall.

# Remuneration Report continued

Based on performance against the above targets, bonuses for the year ended 31st March 2019 were:

	£'000	% salary
Robert MacLeod, Chief Executive	660	80.7
Anna Manz, Chief Financial Officer	369	71.7
John Walker, Sector Chief Executive, Clean Air	328	70.1

In accordance with the rules of the plan, 50% of the bonus payable is awarded as shares and deferred for three years. There are no further performance conditions attached to the deferred element.

## 2 Long term incentive vesting for the three year performance period ended 31st March 2019\*

The table below sets out the performance targets for the long term incentive awards made in August 2016 with a three year performance period which ended on 31st March 2019. After the performance period, shares are no longer subject to performance conditions and where the performance conditions are met the shares will vest in equal instalment on the third, fourth and fifth anniversary of the award.

Required underlying EPS performance	Proportion of award which may vest
<b>Threshold 4% CAGR</b>	15%
<b>Maximum 10% CAGR</b>	100%

The awards vest on a straight line basis between threshold and maximum. In addition to the EPS performance condition, the Remuneration Committee considers the performance of ROIC over the performance period to ensure that earnings growth is achieved in a sustainable and efficient manner.

The performance over the period was a compound annual growth in underlying EPS of 7.7% per annum as a result a vesting of 66.8% of maximum was achieved.

The table below shows the vesting outcomes based on this performance.

	% of base salary awarded	Shares awarded	% of award to vest	Shares to vest	Estimated value on vesting £
<b>Executive Directors</b>					
Robert MacLeod	200	52,529	66.8%	35,089	1,072,921
Anna Manz	175	28,997	66.8%	19,370	592,272
John Walker	175	25,387	66.8%	16,959	518,537

## 3 Variable pay awarded during the year ended 31st March 2019\* (Long term incentive awards subject to future performance)

In 2018/19 long term incentive awards were made to the Executive Directors in respect of the three year performance period to 31st March 2021. The table below sets out the opportunity and performance targets for these awards.

Required underlying EPS performance	Proportion of award which may vest	Chief Executive <sup>1</sup>	Other Executive Director <sup>1</sup>
<b>Threshold 4% CAGR</b>	15%	30%	26.25%
<b>Maximum 10% CAGR</b>	100%	200%	175%

<sup>1</sup> Represent a % of base salary

The table below sets out the details of the actual conditional long term incentive awards made as a percentage of base salary.

	Date of grant	Award size (% of base salary)	Number of shares awarded	Face value <sup>1</sup> £
Robert MacLeod	1st August 2018	200	43,883	£1,635,980
Anna Manz	1st August 2018	175	24,174	£901,219
John Walker	1st August 2018	175	21,980	£819,425

<sup>1</sup> Face value is calculated using the award share price of 3,728.05 pence, which is the average closing share price over the four week period commencing on 31st May 2018.

#### 4 Prior year long term incentive awards and outcomes

The table below shows the history of long term incentive awards granted since 2009.

Year of award	Year of vesting <sup>1</sup>	% salary awarded to Chief Executive	% salary awarded to other Executive Directors	Threshold EPS growth target	Stretch EPS growth target	Compound annual growth in underlying EPS in the period	% of award vested
2009	2012	120	100	3%	10%	19.7%	100
2010	2013	150	120	7%	16%	20.2%	100
2011	2014	175	140	7%	16%	13.3%	75
2012	2015	175	140	7%	16%	6.07%	–
2013	2016	175	140	6%	15%	7.85%	33
2014	2017	200	175	6%	15%	7.39%	28
2015	2018	200	175	6%	12%	5.14%	–
2016	2019	200	175	4%	10%	7.66%	67
2017	2020	200	175	4%	10%	n/a	n/a
2018	2021	200	175	4%	10%	n/a	n/a

<sup>1</sup> Awards from 2014 are subject to tranche vesting and so the year shown is the vesting of the first tranche

#### Pension entitlements\*

No director is currently accruing any pension benefit in the group's pension schemes. Instead they receive an annual cash payment in lieu of pension membership equal to 25% of base salary. However, Robert MacLeod and John Walker have each accrued a pension entitlement in respect of a prior period of pensionable service in one or more of the group's pension arrangements.

Robert MacLeod ceased pensionable service in JMEPS on 31st March 2011.

John Walker joined JMEPS on 1st September 2012 and ceased pensionable service in this scheme on 9th October 2013. Prior to joining JMEPS he was a member of the US Johnson Matthey Inc. Salaried Employees Pension Plan.

Details of the accrued pension benefits of the Executive Directors as at 31st March 2019 in the UK and US pension schemes are given below:

	Total accrued annual pension entitlement at 31st March 2019 £'000 <sup>3</sup>
Robert MacLeod <sup>1</sup>	10
Anna Manz	–
John Walker <sup>2</sup>	89

<sup>1</sup> Pension payable from age 65 based on pensionable service in the UK pension scheme up to 31st March 2011.

<sup>2</sup> Pension payable in respect of pensionable service in the UK and US pension schemes payable from age 65 and 62 respectively. The pension payable from the US pension scheme will be paid in local currency.

<sup>3</sup> No Director would gain any additional benefit by retiring early in line with the scheme rules.

#### Statement of directors' shareholding\*

The table below shows the directors' interests in the shares of the company, together with their unvested scheme interests, as at 31st March 2019.

	Ordinary shares <sup>1</sup>	Subject to ongoing performance conditions <sup>2</sup>	Not subject to further performance conditions <sup>3</sup>
<b>Executive Directors</b>			
Robert MacLeod	48,790	149,367	30,787
Anna Manz	2,356	81,622	8,861
John Walker	17,088	73,888	16,870
<b>Non-Executive Directors</b>			
Patrick Thomas	4,257	–	–
Tim Stevenson <sup>4</sup>	4,958	–	–
Odile Desforges	1,416	–	–
Alan Ferguson	2,078	–	–
Jane Griffiths	2,671	–	–
Chris Mottershead	2,809	–	–
John O'Higgins	1,500	–	–

<sup>1</sup> Includes shares held by the director and / or connected persons, including those in the all employee share matching plan and 401k plan. Shares in the all employee share matching plan may be subject to forfeiture in accordance with the rules of the plan.

<sup>2</sup> Represents unvested long term incentive shares within three years of the date of award.

<sup>3</sup> Represents unvested deferred bonus shares and unvested long term incentive shares between the third and fifth anniversary of award, where performance conditions have been assessed but vesting has not occurred.

<sup>4</sup> Represents the ordinary shares at 26th July 2018, when Tim Stevenson stepped down as Chairman of the board.

## Remuneration Report continued

Directors' interests as at 30th May 2019 were unchanged from those listed above, other than that the trustees of the all employee share matching plan have purchased a further 24 shares each for Robert MacLeod, Anna Manz and John Walker.

Executive Directors are expected to build up a shareholding in the company. The minimum shareholding requirement for the year ended 31st March 2019 was 200% of base salary for the Chief Executive and 150% of base salary for the other Executive Directors. The table below shows the extent to which the proposed minimum shareholding requirements have been satisfied:

	Shares held as at 31st March 2019 (% of base salary) <sup>1,2</sup>
Robert MacLeod	297%
Anna Manz <sup>3</sup>	67%
John Walker	222%

<sup>1</sup> Value of shares as a percentage of base salary is calculated using a share value of 3,057.68 pence, which was the average share price prevailing between 1st January 2019 and 31st March 2019.

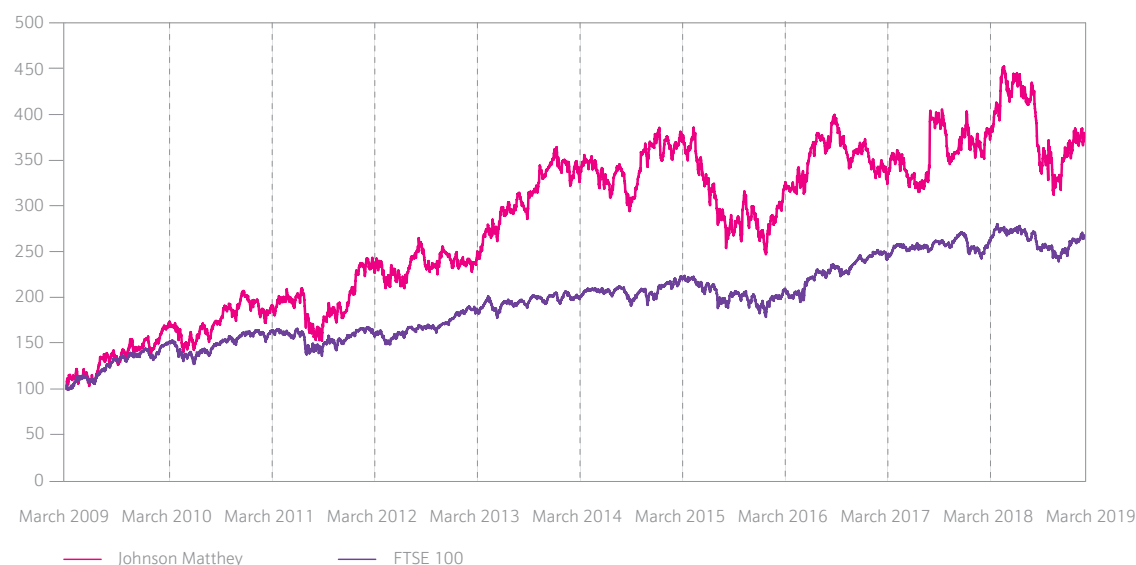
<sup>2</sup> The director's total shareholding for the purposes of comparing it with the minimum shareholding requirement includes shares held beneficially by the director and any connected persons (as recognised by the Remuneration Committee) together with deferred shares awarded under the annual bonus rules for which there are no further performance conditions and any unvested long term incentive shares between the third and fifth anniversary of award, where performance conditions have been assessed but vesting has not occurred (this is not subject to continued employment, but the passage of time).

<sup>3</sup> Anna Manz became an Executive Director on 17th October 2016. She will build her shareholding over time in line with the Remuneration Policy.

### Performance graph and comparison to Chief Executive's Remuneration

#### Johnson Matthey and FTSE 100 Total Shareholder Return Rebased to 100

The following chart illustrates the total cumulative shareholder return of the company for the ten year period from 31st March 2009 to 31st March 2019 against the FTSE 100 as the most appropriate comparator group, rebased to 100 at 1st April 2009.



As at 31st March 2019, Johnson Matthey was ranked 73 by market capitalisation in the FTSE 100.

### Historical data regarding Chief Executive's remuneration

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15 <sup>1</sup>	2015/16 <sup>1</sup>	2016/17	2017/18	2018/19
Single total figure of remuneration	1,596	2,095	1,870	3,025	3,855	1,594	1,429	1,971	2,013	2,784
Annual incentives (% of maximum)	100	100	75	–	71	54	15	40	69	45
Long term incentives (% of award vesting) <sup>2</sup>	–	52	100	100	75	–	33	28	–	67%

<sup>1</sup> The figures for 2014/15 and 2015/16 are in respect of Robert MacLeod who was appointed as Chief Executive on 5th June 2014. Prior to this, the figures shown are for the previous Chief Executive, Neil Carson.

<sup>2</sup> Vesting of long term incentive awards whose three year performance period ended in the financial year shown.

The above data is calculated according to the same methodology as applied in the single figure table on page 143.

### Change in Chief Executive's remuneration

The table below shows how the remuneration of the Chief Executive has changed over the year ended 31st March 2019. This is then compared to a group of appropriate employees, being those based in the UK. This comparator group was used because the Remuneration Committee believes it gives a reasonable understanding of the underlying increases, based on similar annual bonus performance measures, while at the same time reducing the distortion from currency fluctuations and the distortions that would arise from including all of the many countries in which the group operates with their different economic conditions.

	Chief Executive	Comparator group <sup>1</sup>
<b>Salary</b>	An increase of 2.5%	An increase of 7.37%
<b>Bonus</b>	A decrease of 33.6%	A decrease of 12.4%
<b>Benefits</b>	No change in benefits policy. No change on overall costs between 2017/18 and 2018/19.	No change in benefits policy. No change on overall costs between 2017/18 and 2018/19.

<sup>1</sup> This includes a long term incentive buy-out for certain management employees, some market adjustments and promotions.

### Relative spend on pay

The table below shows the absolute and relative amounts of distributions to shareholders and the total remuneration for the group for the years ended 31st March 2018 and 31st March 2019.

	Year ended 31st March 2019 £ million	Year ended 31st March 2018 £ million	% change
Payments to shareholders – special dividends	–	–	–
Payments to shareholders – ordinary dividends	156	146	7%
Total remuneration (all employees) <sup>1</sup>	730	693	5%

<sup>1</sup> Excludes termination benefits.



# Remuneration Report continued

## Implementation of the Directors' Remuneration Policy for 2019/20

The table below sets out how the Remuneration Committee intends to apply the Directors' Remuneration Policy for the year ended 31st March 2020.

Salary	Salaries for the Executive Directors for 2019/20 all increased by 2.5%, which is lower than the budgeted increase for all other UK employees.																				
Benefits	No change to policy applied in 2019/20.																				
Pension	The maximum limit on pensions has been retained at 25%, the level paid to the current Executive Directors. However, as set out in the recruitment section of the Directors' Remuneration Policy, it is the committee's intention that pension for future hires would be aligned with the level for other senior managers.																				
Annual incentives	<p>The maximum bonus opportunity for 2019/20 remains unchanged at 180% of salary for the Chief Executive and 150% of salary for the other Executive Directors.</p> <p>2019/20 bonus will be based on underlying profit before tax (60%), working capital (20%) and 20% weighting to non-financial objectives.</p> <p>Targets for the Chief Executive and Chief Financial Officer will be based on group performance. For the Sector Chief Executive, Clean Air, targets will be based on a mix of group and Clean Air Sector performance.</p> <p>The Remuneration Committee considers the forward looking targets to be commercially sensitive, but full details of the targets and performance against them will be disclosed in next year's Annual Report on Remuneration.</p> <p>As set out in the Policy Report, 50% of any bonus paid will be deferred in shares for three years and the payment of any bonus is subject to appropriate malus and clawback provisions.</p>																				
Long term incentives	<p>Award levels remain unchanged at 200% of salary for the Chief Executive and 175% of salary for the other Executive Directors. The long term Performance Share Plan awards will be based on EPS growth targets, subject to achieving a satisfactory level of return on capital employed. The EPS targets will be the same as those applying to the 2018 awards, namely 15% vesting for 4% p.a. underlying EPS growth, increasing on a straight line basis to 100% vesting for 10% p.a. underlying EPS growth or above. Awards vest in equal tranches over three, four and five years.</p>																				
Chairman and Non-Executive Director fees	<p>Fees for the Non-Executive Directors for 2019/20 have been increased in line with the Executive Director increases at 2.5%. This is lower than the increase for all other UK employees. The fees for each Non-Executive Director are shown below.</p> <table><tr><td>Patrick Thomas</td><td>£367,500</td><td>Chairman</td></tr><tr><td>Odile Desforges</td><td>£67,000</td><td></td></tr><tr><td>Alan Ferguson</td><td>£98,000</td><td>Senior Independent Director and Chairman of Audit Committee</td></tr><tr><td>Jane Griffiths</td><td>£67,000</td><td></td></tr><tr><td>Chris Mottershead</td><td>£84,000</td><td>Chairman of Remuneration Committee</td></tr><tr><td>John O'Higgins</td><td>£67,000</td><td></td></tr></table>			Patrick Thomas	£367,500	Chairman	Odile Desforges	£67,000		Alan Ferguson	£98,000	Senior Independent Director and Chairman of Audit Committee	Jane Griffiths	£67,000		Chris Mottershead	£84,000	Chairman of Remuneration Committee	John O'Higgins	£67,000	
Patrick Thomas	£367,500	Chairman																			
Odile Desforges	£67,000																				
Alan Ferguson	£98,000	Senior Independent Director and Chairman of Audit Committee																			
Jane Griffiths	£67,000																				
Chris Mottershead	£84,000	Chairman of Remuneration Committee																			
John O'Higgins	£67,000																				

## Statement of shareholder voting

We monitor carefully shareholder voting on our Remuneration Policy and its implementation. We recognise the importance of ensuring that our shareholders continue to support our remuneration arrangements.

The tables below show the results of the polls taken of the resolution to approve the Remuneration Policy at the July 2017 AGM and Directors' Annual Report on Remuneration at the July 2018 AGM.

Resolution	Number of votes cast		For	Against	Votes withheld
Remuneration Policy	136,108,674	125,583,227 (92.3%)		10,525,447 (7.7%)	3,139,449
Remuneration Report	141,911,225	134,247,743 (94.60%) <sup>1</sup>		7,663,482 (5.40%) <sup>1</sup>	130,436

<sup>1</sup> Percentage of votes cast, excluding votes withheld.

The Remuneration Committee believes that the 92.3% vote in favour of the Directors' Remuneration Policy at the 2017 AGM and the 94.6% vote in favour of the Annual Report on Remuneration at the 2018 AGM showed strong shareholder support for the group's remuneration arrangements at that time.

This Remuneration Report was approved by the Board of Directors on 30th May 2019 and signed on its behalf by:



**Chris Mottershead**  
Chairman of the Remuneration Committee

# Directors' Report

for the year ended 31st March 2019

## Directors

The names of the directors who held office during the year are set out on page 103.

The biographies of all the directors serving at the date of this annual report are shown on pages 100 to 102.

## Indemnification of directors

Under Deed Polls dated 31st January 2017, Johnson Matthey has 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. They remain in force 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 they may incur to a third party in relation to a relevant occupational pension scheme.

## Appointment and replacement of directors

The rules about the appointment and replacement of directors are contained in our Articles of Association, which are available on our website. These include:

- directors may be appointed by a resolution of the members or a resolution of the directors; and
- if appointed by the directors, the newly appointed director must retire at the next Annual General Meeting (AGM) and is not taken into account in determining the directors who are to retire by rotation at the meeting. At least one third of the board must retire by rotation at each AGM.

The Articles of Association may only be amended by a special resolution at a general meeting of the company.

Notwithstanding the provisions of the Articles of Association, the board has agreed that all directors will seek election or re-election at each AGM in accordance with the UK Corporate Governance Code 2016.

 [www.matthey.com/investors/corporate-governance](http://www.matthey.com/investors/corporate-governance)

## Powers of the directors

The powers of the directors are determined by the Articles of Association, UK legislation including the Companies Act 2006 (the 2006 Act) and any directions given by the company in general meeting.

The directors have been authorised by the company's Articles of Association to issue and allot ordinary shares and to make market purchases of its own shares. These powers are referred to shareholders for renewal at each AGM. Further information is set out under 'Purchase by the company of its own shares' opposite.

## Directors' interests in the company's shares

The interests of persons who were directors of the company (and of their connected persons) at 31st March 2019 in the issued shares of the company (or in related derivatives or other financial instruments), which have been notified to the company in accordance with the Market Abuse Regulation, are set out in the Remuneration Report on page 147. The Remuneration Report also sets out details of any changes in those interests between 31st March 2019 and 30th May 2019.

## Directors' interests in contracts

Other than service contracts, no director had any interest in any material contract with any group company at any time during the year. There were no contracts of significance (as defined in the Financial Conduct Authority Listing Rules) during the year to which any group undertaking was a party and in which a director of the company is or was materially interested.

## Dividends

The interim dividend of 23.25 pence per share (2018: 21.75 pence) was paid in February 2019. The directors recommend a final dividend of 62.25 pence per share in respect of the year (2018: 58.25 pence), making a total for the year of 85.50 pence per share (2018: 80.0 pence), payable on 6th August 2019 to shareholders on the register at the close of business on 7th June 2019.

Other than as referred to under 'Employee share schemes' on page 152, during the year there were no arrangements under which a shareholder has waived or agreed to waive any dividends nor any agreement by a shareholder to waive future dividends.

## Dividend payments and DRIP

Dividends can be paid directly into shareholders' bank accounts. A Dividend Reinvestment Plan is also available. This allows shareholders to purchase additional shares in Johnson Matthey with their dividend payment. Further information and a mandate can be obtained from our registrar, Equiniti, whose details are set out on page 243 and on our website.

## Share capital

### Capital structure

As at 31st March 2019, the issued share capital of the company was 193,533,430 ordinary shares of 110 <sup>49</sup>/<sub>32</sub> pence each (excluding treasury shares) and 5,407,176 treasury shares. There were no purchases, sales or transfers of treasury shares during the year.

### Share allotments

There were no share allotments during the year.

### Purchase by the company of its own shares

At the 2018 AGM, shareholders authorised the company to make market purchases of up to 19,353,343 ordinary shares of 110 <sup>49</sup>/<sub>32</sub> pence each, representing 10% of the issued share capital of the company (excluding treasury shares). Any shares so purchased by the company may be cancelled or held as treasury shares. This authority will cease at the date of the 2019 AGM.

During the year and up until the date of approval of this annual report, the company did not make any purchases of its own shares or propose to, or enter into any options or contracts to, purchase its own shares (either through the market or by an offer made to all shareholders or otherwise), nor did the company acquire any of its own shares other than by purchase.

### Rights and obligations attaching to shares

The rights and obligations attaching to the ordinary shares in Johnson Matthey are set out in the Articles of Association.

As at 31st March 2019 and as at the date of approval of this annual report, except as referred to below, there were no restrictions on the transfer of ordinary shares in the company, no limitations on the holding of securities and no requirements to obtain the approval of the company, or of other holders of securities in the company, for a transfer of securities.

## Directors' Report continued

The directors may, in certain circumstances, refuse to register the transfer of a share in certificated form which is not fully paid up, where the instrument of transfer does not comply with the requirements of the company's Articles of Association, or if entitled under the Uncertificated Securities Regulations 2001. Also as at 31st March 2019 and as at the date of approval of this annual report:

- no person held securities in the company carrying any special rights with regard to control of the company;
- there were no restrictions on voting rights (including any limitations on voting rights of holders of a given percentage or number of votes or deadlines for exercising voting rights) except that a shareholder has no right to vote in respect of a share unless all sums due in respect of that share are fully paid;
- there were no arrangements by which, with the company's cooperation, financial rights carried by shares in the company are held by a person other than the holder of the shares; and
- there were no agreements known to the company between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

### Nominees, financial assistance and liens

During the year:

- no shares in the company were acquired by the company's nominee, or by a person with financial assistance from the company, in either case where the company has a beneficial interest in the shares (and no person acquired shares in the company in any previous financial year in its capacity as the company's nominee or with financial assistance from the company); and
- the company did not obtain or hold a lien or other charge over its own shares.

### Allotment of securities for cash and placing of equity securities

During the year, the company has not allotted, nor has any major subsidiary undertaking of the company (broadly an undertaking that represents at least 25% of the group's aggregate gross assets or profit) allotted, equity securities for cash. During the year, the company has not participated in any placing of equity securities.

### Listing of the company's shares

Johnson Matthey's shares have a Premium Listing on the London Stock Exchange and trade as part of the FTSE 100 index under the symbol JMAT.

### American Depositary Receipt programme

Johnson Matthey has a sponsored Level 1 American Depositary Receipt (ADR) programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents two ordinary shares of the company. The ADRs trade on the US over-the-counter market under the symbol JMPY. When dividends are paid to shareholders, the Depositary converts such dividends into US dollars, net of fees and expenses, and distributes the net amount to ADR holders. Contact details for BNY Mellon are set out on page 243.

### Employee share schemes

At 31st March 2019, 4,499 current and former employees were shareholders in the company through the group's employee share schemes. Through these schemes, current and former employees held 2,544,207 ordinary shares (1.31% of issued share capital, excluding treasury shares as at 31st March 2019). Also as at 31st March 2019, 1,544,170 ordinary shares had been awarded but had not yet vested under the company's long term incentive plan to 1,126 current and former employees.

Shares acquired by employees through the company's employee share schemes rank equally with the other shares in issue and have no special rights. Voting rights in respect of shares held through the company's employee share schemes are not exercisable directly by employees. However, employees can direct the trustee of the schemes to exercise voting rights on their behalf. The trustee of the company's employee share ownership trust (ESOT) has waived its right to dividends on shares held by the ESOT which have not yet vested unconditionally to employees.

### Interests in voting rights

The following information has been disclosed to the company under the Financial Conduct Authority (FCA) Disclosure and Transparency Rules (DTR 5) in respect of notifiable interests in the voting rights in the company's issued share capital:

	Nature of holding	Total voting rights <sup>1</sup>	% of total voting rights <sup>2</sup>
As at 31st March 2019:			
Ameriprise Financial Inc.	Direct	84,408	0.04%
	Indirect	9,727,409	5.03%
BlackRock, Inc.	Indirect	20,181,149	9.85%
	Financial Instrument (CFD)	209,763	0.10%
Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	Indirect	15,314,781	7.91%

<sup>1</sup> Total voting rights attaching to the issued ordinary share capital of the company (excluding treasury shares) at the date of disclosure to the company.

<sup>2</sup> % of total voting rights at the date of disclosure to the company.

Other than as stated above, as far as the company is aware, there is no person with a significant direct or indirect holding of securities in the company. The information provided above was correct at the date of notification. However, it should be noted that these holdings are likely to have changed since the company was notified. Notification of any change is not required until the next notifiable threshold is crossed.

No changes in interests in the voting rights of the company's issued share capital have been notified to the company in accordance with DTR 5 between 31st March 2019 and 30th May 2019.

## Contracts with controlling shareholders

During the year there were no contracts of significance (as defined in the FCA Listing Rules) between any group undertaking and a controlling shareholder and no contracts for the provision of services to any group undertaking by a controlling shareholder.

## Change of control

As at 31st March 2019 and as at the date of approval of this annual report, there were no significant agreements to which the company or any subsidiary was or is a party that take effect, alter or terminate on a change of control of the company, whether following a takeover bid or otherwise.

However, the company and its subsidiaries were, as at 31st March 2019 and as at the date of approval of this annual report, party to a number of commercial agreements that may allow the counterparties to alter or terminate the agreements on a change of control of the company following a takeover bid. Other than the matters referred to below, these are not deemed by the company to be significant in terms of their potential effect on the group as a whole.

The group has a number of loan notes and borrowing facilities which may require prepayment of principal and payment of accrued interest and breakage costs if there is change of control of the company. The group has also entered into a series of financial instruments to hedge its currency, interest rate and metal price exposures which provide for termination or alteration if a change of control of the company materially weakens the creditworthiness of the group.

The Executive Directors' service contracts each contain a provision to the effect that if the contract is terminated by the company within one year after a change of control of the company, the company will pay to the director as liquidated damages an amount equivalent to one year's gross base salary and other contractual benefits less the period of any notice given by the company to the director.

The rules of the company's employee share schemes set out the consequences of a change of control of the company on participants' rights under the schemes. Generally such rights will vest and become exercisable on a change of control subject to the satisfaction of relevant performance conditions. As at 31st March 2019 and as at the date of approval of this annual report, there were no other agreements between the company or any subsidiary and its or their directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

## Branches

The company and its subsidiaries have established branches in a number of different countries in which they operate.

## Political donations and expenditure

It is the group's policy not to make political donations or to incur political expenditure. During the year, there were no political donations made to any EU or non-EU political party, EU or non-EU political organisation or to any EU or non-EU independent election candidate. During the year, no EU or non-EU political expenditure was incurred.

## Information set out in the Strategic Report

In accordance with section 414C(11) of the 2006 Act, the directors have chosen to set out in the Strategic Report the following information required to be included in the Directors' Report:

- **Employee involvement**  
A description of the action taken by the company during the year relating to employee involvement.
- **Employment of disabled persons**  
Information on the company's policy applied during the year relating to the recruitment, employment, training, career development and promotion of disabled employees.
- **Research and development activities**  
An indication of the activities of the group in the field of research and development.
- **Likely future developments**  
An indication on likely future developments in our business.
- **Greenhouse gas emissions**  
Disclosures relating to greenhouse gas emissions.
- **Use of financial instruments**  
Information on the group's financial risk management objectives and policies, its exposure to credit risk, liquidity risk, interest rate risk and foreign currency risk and its use of financial instruments.

## Disclosures required by Listing Rule 9.8.4R

Disclosures required by the FCA Listing Rule 9.8.4R, can be found on the following pages:

Information required	Sub-section of Listing Rule 9.8.4R	Page reference
1. Capitalised interest	(1)	Page 185
2. Publication of unaudited financial information	(2)	Not applicable
3. Details of long term incentive schemes established to specifically recruit or retain a director	(4)	Not applicable
4. Waiver of emoluments by a director	(5) (6)	Not applicable
5. Allotments of equity securities for cash	(7) (8)	Page 152
6. Participation in a placing of equity securities	(9)	Not applicable
7. Contracts of significance	(10)	Not applicable
8. Contracts for the provisions of services by a controlling shareholder	(11)	Not applicable
9. Dividend waiver	(12) (13)	Page 151
10. Agreements with controlling shareholder	(14)	Not applicable

## Directors' Report continued

### Important events since 31st March 2019

There have been no important events affecting the company or any subsidiary since 31st March 2019.

### 2019 Annual General Meeting

Our 2019 AGM will be held at 11.00 am on Wednesday 17th July 2019 at The Institute of Civil Engineering, One Great George Street, Westminster, London SW1P 3AA.

The Notice of the 2019 AGM, together with an explanation of the resolutions to be considered at the meeting, is set out in a separate circular to shareholders. This circular is published on our website.

### Articles of Association

The Articles of Association may only be amended by a special resolution at a general meeting of the company. The company's current Articles of Association were adopted on 21 July 2010. A special resolution seeking to amend the Articles of Association is being put to the shareholders at the 2019 AGM. Further information on the changes proposed is set out in the Notice of the 2019 AGM and on our website.

### Auditor and disclosure of information

The auditor of the company is PricewaterhouseCoopers LLP.

So far as each person serving as a director of the company is aware, at the date this Directors' Report was approved by the board there is no relevant audit information (that is, information needed by the auditor in connection with preparing its report) of which the company's auditor is unaware. Each such director confirms that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Management report

The Strategic Report and the Directors' Report together include the 'management report' for the purposes of the FCA's Disclosure and Transparency Rules (DTR 4.1.8R).

The Directors' Report was approved by the board on 30th May 2019 and is signed on its behalf by:



**Simon Farrant**  
Company Secretary



# Responsibilities of Directors

## Statement of directors' responsibilities in respect of the Annual Report and Accounts

The directors are responsible for preparing the annual report and the group and parent company accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company accounts for each financial year. Under company law, they are required to prepare the group accounts in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and other applicable law and have elected to prepare the parent company accounts on the same basis.

Under company law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its accounts comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Remuneration Report and Corporate Governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and the company's position and performance, business model and priorities.

## Responsibility statement of the directors in respect of the Annual Report and Accounts

Each of the directors as at the date of the Annual Report and Accounts, whose names and functions are set out below:

- Patrick Thomas, Chairman
- Robert MacLeod, Chief Executive
- Anna Manz, Chief Financial Officer
- Odile Desforges, Non-Executive Director
- Alan Ferguson, Non-Executive Director
- Jane Griffiths, Non-Executive Director
- Xiaozhi Liu, Non-Executive Director
- Chris Mottershead, Non-Executive Director
- John O'Higgins, Non-Executive Director
- John Walker, Executive Director

states that to the best of his or her knowledge:

- the group and parent company accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report (which comprises the Strategic Report and the Directors' Report) includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement was approved by the board on 30th May 2019 and is signed on its behalf by:



**Patrick Thomas**  
Chairman