



# Governance

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



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## Governance

## Board of Directors

## An experienced team delivering our strategic vision



**Patrick Thomas –  
Chair**

Appointed to the 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 the 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

#### International experience

Belgium, Germany, UK

#### Sector experience

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



**Robert MacLeod –  
Chief Executive**

Appointed to the 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 11 years and as Chief Executive for 6 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 the 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 the 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 and from 2011 to 2020 he was Chair of the Audit Committee and Senior Independent Director (from 2017 to 2020) at Croda International 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. Senior Independent Director and Chairman of the Audit Committee at Marshall Motor Holdings plc

#### International experience

South Africa, UK

#### Sector experience

Automotive, Chemicals, Manufacturing, Metals and Mining



**Xiaozhi Liu – Independent  
Non-Executive Director**

Appointed to the 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 Non-Executive Director of InBev SA/NV.

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 and InBev SA/NV

#### International experience

China, Sweden, US

#### Sector experience

Automotive, Battery Technologies



**John O'Higgins – Independent  
Non-Executive Director**

Appointed to the 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 Exide 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.

As announced on 28th May 2019, John will be appointed as the Senior Independent Director with effect from the close of the 2020 AGM.

#### Other current appointments

Senior Independent Director of Elementis plc, Non-Executive Director of Oxford Nanopore Technologies Ltd and Trustee of the Wincott Foundation

#### International experience

Belgium, China, Germany, UK, US

#### Sector experience

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





**Chris Mottershead – Independent Non-Executive Director**

Appointed to the 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 TEDI London, Director of Kings College London Business Limited

**International experience**

UK, US

**Sector experience**

Energy, Oil and Gas, Technology



**Linda Bruce-Watt – Company Secretary**

Joined Johnson Matthey: March 2020

**Experience**

Appointed Company Secretary on 1st April 2020. She is a solicitor experienced in company law and corporate governance.



**Jane Griffiths – Independent Non-Executive Director**

Appointed to the board: January 2017

**Experience and contribution**

Jane previously held a number of roles at Johnson & Johnson (J&J) from 1982 until her retirement in 2019, including international and affiliate strategic marketing, sales management, product management, general management and clinical research. Most recently, she was the Global Head of Actelion, a Janssen pharmaceutical company of J&J.

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**

Non-Executive Director of BAE Systems plc

**International experience**

Africa, Europe, Middle East, UK

**Sector experience**

Pharmaceuticals



**Doug Webb – Independent Non-Executive Director**

Appointed to the board: September 2019

**Experience and contribution**

Doug was most recently Chief Financial Officer at Meggitt plc between 2013 to 2018. Prior to this he held the position of Chief Financial Officer at London Stock Exchange Group plc from 2008 to 2012 and QinetiQ Group plc from 2005 to 2008. Before that he held senior finance roles at Logica plc. Doug began his career at Price Waterhouse within its audit and businesses advisory team. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Doug brings a strong background in corporate financial management and recent and relevant financial experience to the board, along with a deep understanding of technology and engineering sectors. He chaired the Audit Committee at SEGRO plc for nine years until April 2019.

As announced on 28th May 2019, Doug will become Chair of the Audit Committee following the conclusion of the 2020 AGM.

**Other current appointments**

Non-Executive Director and Audit Committee Chair of The Manufacturing Centre Ltd. Non-Executive Director, Senior Independent Director and Audit Committee Chair of BMT Group Ltd

**International experience**

UK, US, Sweden, Canada

**Sector experience**

Engineering, Technology, Aerospace and Defence, Real Estate



**Key**

Chairman of the Committee

Member of the Nomination Committee

Member of the Audit Committee

Member of the Remuneration Committee

## Governance

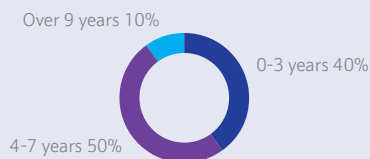
### The board at a glance – as at 31st March 2020

#### Gender diversity\*

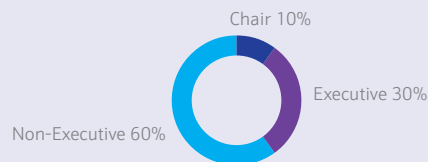
Male	Female
<b>70%</b>	<b>30%</b>
(7 directors)	(3 directors)

\* As at the date of signing this report, 11th June 2020, the board comprised 7 male directors (70%) and 3 female directors (30%).

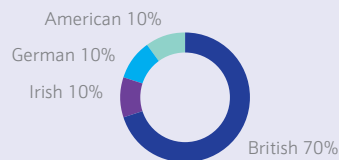
#### Tenure



#### Role



#### Nationality



#### Board skills

Leadership <b>7</b>	Finance <b>4</b>	Health and safety <b>3</b>	People <b>2</b>	International <b>7</b>
Strategy <b>7</b>	Risk <b>2</b>	Commercial <b>2</b>	Technology <b>2</b>	Growth / transformation <b>3</b>

The above table shows some of the skills held by our board members following a self-assessment, whereby each director was asked to identify their areas of strength, by indicating if they hold a high, medium or low level of expertise in that area. The numbers shown in the table above illustrate the skills in which our directors hold a high level of expertise.

+ Further information is set out in each director's biography on pages 78 to 79

+ You can read more about our board's skills matrix in the Nomination Committee report on page 94

#### Board attendance

	Role	Date of appointment to board	Number of meetings eligible to attend	Number of meetings attended	% attended
Patrick Thomas	Chair	1st June 2018	11	11	100
Robert MacLeod	Chief Executive	22nd June 2009	11	11	100
Odile Desforges <sup>1</sup>	Non-Executive Director	1st July 2013	4	4	100
Alan Ferguson	Non-Executive Director	13th January 2011	11	11	100
Jane Griffiths	Non-Executive Director	1st January 2017	11	11	100
Xiaozhi Liu	Non-Executive Director	1st April 2019	11	11	100
Anna Manz	Chief Financial Officer	17th October 2016	11	11	100
Chris Mottershead	Non-Executive Director	27th January 2015	11	11	100
John O'Higgins	Non-Executive Director	16th November 2017	11	11	100
John Walker <sup>2</sup>	Executive Director	9th October 2013	11	11	100
Doug Webb	Non-Executive Director	2nd September 2019	7	7	100

<sup>1</sup> Odile Desforges stepped down from the board at the end of the Annual General Meeting on 17th July 2019.

<sup>2</sup> John Walker stepped down from the board on 31st March 2020.

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

# Letter from the Chair

Patrick Thomas  
Chair



## Governance highlights

The board's focus areas this year have included:

- Continued focus on environment, health and safety (EHS).
- Culture.
- Execution of strategic priorities.
- Continued monitoring of financial performance.
- Reviews of principal risks.

The board's focus areas for 2020/21 include:

- Navigating COVID-19.
- Continued focus on EHS, particularly process safety improvement.
- Culture and the group operating model.
- Transformation.
- Senior leadership talent.
- New growth opportunities, including battery materials and hydrogen.

During the year under review, we welcomed the UK Corporate Governance Code 2018 (the code). The board recognises the increasing emphasis on corporate purpose, culture, risk, stakeholder relations and the evolving landscape of the audit profession. The code focuses on demonstrating how the governance of a company contributes to its long term sustainable success. We continue to develop our governance and strategy in ways that support our vision – a world that is cleaner and healthier; today and for future generations.

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 page 89.

The board and the nomination committee continue to dedicate considerable time to succession planning. This year, that involved a review of the board composition in light of John Walker's retirement as an Executive Director on 31st March 2020. As part of a structured and continuous process of board refreshment, we welcomed two new Non-Executive Directors to the board in 2019. Xiaozhi Liu and Doug Webb joined the board in April and September 2019 respectively. Alan Ferguson, our Senior Independent Director and Audit Committee Chair, will retire from the board following the 2020 Annual General Meeting. Alan will be succeeded by John O'Higgins as Senior Independent Director and by Doug Webb as Audit Committee Chair. I would like to thank Alan for his significant contribution to the board over the past nine years. In addition, Simon Farrant our General Counsel and Company Secretary retired after 26 years at JM on 31st March 2020 and the board welcomed Linda Bruce-Watt as interim Company Secretary.

The board has an important role in defining the culture of the group. Understanding the current culture provides a deeper insight into the organisation. I have found the culture at JM 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. Throughout the year, the board agreed JM's culture ambition and continue to monitor progress against this. This has included how we look at talent and succession planning (page 94), diversity and inclusion (page 44) and workforce engagement (page 82).

I'm confident that our high standards of governance will support the business as we navigate through the unprecedented times, resulting from the COVID-19 pandemic.

Patrick Thomas  
Chair

## Governance

# Corporate Governance Report

### The UK Corporate Governance Code 2018

The code sets standards of good practice in relation to all areas of corporate governance. The code applied to Johnson Matthey from 1st April 2019. Prior to this, the board reviewed the code and welcomed the changes, including the emphasis on stakeholder relations, culture and diversity which the board considers to be key to the success of the company. In this annual report we report on how we have applied the main principles of the code and complied with its relevant provisions. Johnson Matthey has complied with all relevant provisions throughout the year ended 31st March 2020 and from that date up to the date of approval of this annual report. The code is publicly available at [www.frc.org.uk](http://www.frc.org.uk).

### 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. This Corporate Governance Report, together with the Nomination Committee Report, the Audit Committee Report and the Remuneration Report, describe how we have complied with the provisions of the code and applied its main principles during the year.

## Board leadership and company purpose

### 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.

### Culture

Culture sets the tone and encourages the behaviours we look for in our people; it drives engagement and, as a result, leads to a motivated and productive workforce. The board believes that creating the right culture is key to achieving JM's vision and

that together, the directors have an important role of setting the tone from the top and leading by example. During the year, the board considered the current culture across the group and how this needs to evolve to deliver our strategy and purpose.

Our culture is an outcome of the way we work and the behaviours our people demonstrate. It is shaped through the decisions we take about our environment, the stories we tell and our leadership role modelling. With the right culture we can improve our employee engagement even further, address our enablement challenges and strengthen our ability to execute our strategy.

As part of the ongoing review of JM's culture in the context of the wider transformation, the board considered the current culture across the group through the mix of topics discussed by the board and the activities referred to on page 83, including visiting sites and meeting with employees. The board also received updates on the results of JM's 'pulse' global employee survey and feedback from key stakeholders.

Our culture ambition, described on page 41, builds on the things our customers and employees' value about our existing culture. By using the passion that exists around our unique purpose we will shape ways of working to drive even more value from our innovative science, be more courageous in the way we shape the market and bolder in the way we drive performance. We will do this by harnessing the deep sense of pride and care that we feel about what we do in JM.

There has been significant engagement at all levels of the organisation to create our culture ambition. Internal workshops were held to discuss our values to ensure that our culture ambition would resonate with people across different geographies, sectors, functions and job roles.

The board will continuously monitor culture through metrics such as JM's 'pulse' global employee survey, customer satisfaction, customer behaviour statistics, financial results and progress against our key transformation project milestones. Cultural change in a global, complex organisation like Johnson Matthey takes time and the board acknowledges the importance of leading by example, and applying our values to our decisions, behaviours and operations. Further details on how the board will enable this cultural change and invest in our workforce are set out on pages 41 to 42.

### Workforce engagement

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 into views and provides opportunities to receive informal feedback. With a large, global, diverse workforce, the board has determined that engagement should be led by executive management with oversight from and linkage to the board. Country engagement focus groups have been set up in the UK, US, China and Germany, in order to engage in a two-way dialogue on key topics, gather insights on factors impacting the workforce at a local level and to obtain recommendations on ways in which engagement with the workforce can be further enhanced. These groups comprise a diverse group of people drawn from all sectors and functions, job type, age, tenure and gender and are sponsored by senior leaders. Initial meetings have been held in all countries and going forward, it is intended that each focus group meets twice a year. The board receives feedback from the focus groups via the Chief HR Officer. While acknowledging that this form of engagement is not one of the methods specified by the code, the board considers that it is more direct and effective in providing a range of views from our people all around the world.

The board holds two meetings a year at operational sites and as part of this, ensures there is the opportunity to meet with the workforce typically over lunch and dinner, providing an opportunity for open discussion.

## Principal board activities

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. The table below highlights some of the areas of focus for the board during the year, the stakeholder groups central to those decisions and the associated principal risks. Further details on how the board considers stakeholders in its decision-making process are included in our Section 172(1) statement on pages 32 and 33.

+ Pages 67 to 75: Risks and uncertainties

+ Pages 28 to 33: Our stakeholders and Section 172(1) statement

### Role of the board

To set the company's strategic aims.  
To approve major capital projects.  
To ensure the long term success of the company.

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 to corporate reporting, risk management and internal controls.

To determine the nature and extent of the principal risks and the group's risk appetites.  
To facilitate effective, entrepreneurial and prudent management of the business.

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.

### Decision or outcome

- Reviewed the company's strategy and the timeline for key company decisions.
- Reviewed and approved each sectors' strategy, including capital investment projects that support the sectors' strategic aims.
- Assessed the group's portfolio of businesses against JM's strategic framework to ensure their strategic fit.

- Received regular updates from the Chief Executive and Chief Financial Officer.
- Reviewed arrangements and actions on the impact of Brexit for JM and the impact on our customers.
- Reviewed and approved the group budget and three year plan.
- Approved full year results, half year results and the annual report.
- Approved the going concern and viability statements.
- Approved the payment of an interim dividend and the recommendation of a final dividend.

- Reviewed the board's responsibilities in relation to assessing and monitoring risk management and internal control systems.
- Reviewed the cyber security risk and progress made in our IT systems and infrastructure through the implementation of a groupwide enterprise resource planning (ERP) system.
- Reviewed the principal risks and risk appetite.
- Reviewed and approved a revised group corporate governance framework and delegated authorities framework.

- Considered and approved JM's culture ambition and received regular updates on our people.
- Reviewed EHS performance at each meeting and considered significant incidents, including management responses and actions, and the outcome of safety audits.
- Considered board succession.
- Reviewed the key findings and actions following the board and committee effectiveness review for 2018/19 and undertook an internal review for 2019/20.

### Stakeholders considered

- Customers and innovations partners
- Investors
- Governments and trade associations
- Suppliers
- Our people
- Communities

- Customers and innovations partners
- Investors
- Suppliers and other partners
- Our people

- Customers and innovations partners
- Investors
- Governments and trade associations
- Suppliers and other partners
- Our people
- Communities

- Investors
- Our people
- Customers and innovations partners

### 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		

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



## Governance

# Corporate Governance Report continued

In addition, when receiving presentations on strategy, the board ensures 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.

During 2019, a 'pulse' employee engagement survey was carried out and we were pleased to see overall engagement levels continue to improve and significant upturns in company pride. Following the survey, smaller workshops were held to help provide valuable insight into how strategic and culture change is being embedded across different business sectors.

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 45 and 101. The board receives regular reports on speak up matters, which are overseen by the Ethics Panel and provide further insight into the culture across the group.

Further information on our workforce engagement is detailed in our people on pages 41 and 42

### Sustainability of business model

The board acknowledges that long term value creation is key to the sustainability of our business model (pages 22 to 23) and our strategy (pages 16 to 19).

Through considering the matters outlined in the principal board activities table on page 83 and closely monitoring performance, the board ensures that its actions promote the long term sustained success of the company and that the group's business model remains sound. The board also undertakes a detailed annual review of the sustainability and viability of the group's business model, further details on this can be found on page 75.

### 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 use of data analytics and how this could further support the audit by developing capabilities with PwC and Internal Audit.

### Site visits

In October 2019, the board toured the Fuel Cells site in Swindon, UK and received presentations on the strategy and business performance, including our Hydrogen strategy.

The board was due to visit the Royston site in April 2020. However due to COVID-19 the site visit was postponed and the board meeting was held online. During its meeting, the board received an update on IT developments planned for the wider group. In January and February 2020, Patrick Thomas, Jane Griffiths, Xiaozhi Liu, John O'Higgins and Doug Webb visited our sites in West Deptford, Devens and Devon in the US, where they met with local management and toured the Health, Clean Air and Efficient Natural Resources operations.

### Board inductions

Each new director receives a tailored and comprehensive induction programme upon joining the board.

During the year, Xiaozhi Liu and Doug Webb received an induction pack which included a broad range of information including historical board and committee papers and minutes. Both Xiaozhi and Doug met with a number of senior managers from the group and visited some of our site operations. This provided both with an in-depth understanding of the operations of the business. In addition to the board site visit to Swindon mentioned earlier, details of some of the induction site visits and introduction meetings that took place during the year are included in the table below.

Induction business area / site visits	Topics covered
<b>Governance overview</b>	<ul style="list-style-type: none"> <li>Relevant JM policies and processes.</li> <li>Governance framework.</li> <li>Historic board and committee papers and minutes.</li> <li>Overview of directors' duties and guidance.</li> </ul>
<b>Royston site visit</b>	<ul style="list-style-type: none"> <li>Clean Air overview and meeting with Sector Chief Executive.</li> <li>Efficient Natural Resources overview and meeting with Sector Chief Executive.</li> <li>Tour of the old and new refineries with Managing Director, Platinum Group Metal Services.</li> <li>Tour of the Clean Air Technology Centre with the Technology Director, Europe, Research and Development Management.</li> <li>Tour of the Clean Air plant with the Environment, Health and Safety Manager.</li> </ul>
<b>Sonning technology centre site visit</b>	<ul style="list-style-type: none"> <li>Recycling and separation technologies.</li> <li>Clean Air.</li> <li>New applications.</li> <li>Catalysts and materials.</li> <li>Electrochemistry materials group.</li> <li>Analytical.</li> <li>Technology forecasting and information.</li> </ul>
<b>Devens JM Health Sector site visit</b>	<ul style="list-style-type: none"> <li>Health Sector overview and meeting with the Sector Chief Executive.</li> <li>Innovator business overview and meeting with the Vice President, Innovator Products and Solutions.</li> <li>Site tour with the Vice President, Development Operations and Site Director.</li> </ul>
<b>West Deptford JM Health Sector site visit</b>	<ul style="list-style-type: none"> <li>Generics overview and meeting with Vice President, Generic Products and Solutions.</li> <li>Organisation effectiveness update with US Corporate HR Director.</li> <li>Site tour with Global Operations Director and Global Director Supply Chain.</li> </ul>
<b>Wayne corporate centre and Clean Air Sector site visit</b>	<ul style="list-style-type: none"> <li>Meetings with corporate teams.</li> <li>Tour of Clean Air site with President of Clean Air Americas.</li> </ul>

## Stakeholders

We believe that stakeholder engagement remains vital to building a sustainable business. The board recognises the need to foster business relationships with suppliers, customers and others. During the year, the board reviewed its key stakeholders and methods of engagement, to ensure they remain effective. The table below illustrates some of the engagement methods used by the board during the year.

+ Further information about how we engage with our stakeholders and how the board consider their interests in the context of principal decisions can be found on pages 28 to 33

<b>Shareholders</b>	<p>The board welcomes the opportunity to openly engage with shareholders and help them to understand our business. Patrick Thomas 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 Chair has met with institutional investors representing approximately 35% of JM's shareholder base, to discuss strategy, performance and governance. He is committed to engaging with our shareholders on a regular basis.</p> <p>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 team acts as a focal point for contact with investors throughout the year. During 2019/20, the Investor Relations team, together with members of the board and senior management, held over 250 meetings with institutions and potential investors. The Chair, Senior Independent Director and the other Non-Executive Directors are available to discuss matters if requested.</p> <p>During the year an informal lunch was held for investors with the Chair, Senior Independent Director, Audit and Remuneration Chairs and their successors. All attendees were available to answer questions independently on any topic. The event received positive shareholder feedback. In addition, we held our AGM and Capital Markets Day, which are detailed on page 126.</p>
<b>Workforce</b>	<p>The board has engaged with the workforce through several formal and informal channels. JM's people strategy continues to develop our cultural environment and future capabilities which are key in the successful delivery of our strategy. The board seeks to ensure that we maintain high standards of business conduct, supported by our values and our culture, our people are encouraged to act with integrity at all times. JM's policies and processes further support this and the board has delegated responsibility to the Remuneration Committee for ensuring that workforce policies and practices are consistent with the company's values and support JM's purpose and long term success.</p> <p>+ Further details on our workforce engagement can be found on page 82</p>
<b>Customers</b>	<p>Understanding customers' complex problems helps us research, develop and apply our science to give them the best solutions to their challenges. The board considers this as part of its review of strategy and capital investment proposals.</p> <p>In addition, JM tracks customer satisfaction as a measure of how we are maintaining our competitive advantage and to understand the health of our future business. Read more about our non-financial objectives on page 35.</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>The Audit Committee reviews and challenges the payment practices, policies and performance of the company and certain UK subsidiaries.</p> <p><a href="https://matthey.com/modern-slavery">matthey.com/modern-slavery</a></p>
<b>Communities</b>	<p>Local communities and the environment are considered in reviewing capital investment proposals and other strategic decisions. JM's sustainability framework, on page 52, ensures that we deliver our strategy in a way that is best for our planet and those we share it with.</p> <p>In April 2020, as part of our response to the COVID-19 pandemic, JM announced the creation of a special fund to improve access to a quality science education. JM has committed £1 million to the fund which will be donated to local and regional programmes in the areas local to JM facilities. The directors have also donated 20% of their salaries and fees to the fund for at least the first quarter of 2020/21.</p>

## Governance

# Corporate Governance Report continued

## Division of responsibilities

JM's corporate governance framework and processes ensure that the execution of strategy and key decisions receive appropriate challenge and review by providing a mechanism for decision-making ensuring that risk is appropriately managed and is supported by an internal control framework. It also clarifies the roles and responsibilities of key individuals and decision-making bodies.

Our corporate governance structure is summarised below. Full details of the roles of the board and its committees, as well as each committee's terms of reference and the statement of division of responsibilities between the Chair and Chief Executive are published on our website at [matthey.com/corporate-governance](http://matthey.com/corporate-governance).

### Our governance framework

#### Board

##### Role

- Provides entrepreneurial leadership of the company and direction for management.
- Has collective responsibility and accountability to shareholders for the long term success of the group.
- Reviews the performance of management and the operating and financial performance of the group.
- Sets strategy.
- Determines risk appetite.
- Ensures that appropriate risk management and internal control systems are in place.
- Sets the company's culture, values and behaviours.
- Ensures good governance.

#### Chair

Patrick Thomas

##### Key responsibilities

- Leads the board.
- Ensures an effective board, including contribution and challenge from the directors.
- Ensures that JM maintains effective communications with its shareholders.

#### Senior Independent Director

Alan Ferguson

##### Key responsibilities

- Provides a sounding board for the Chair.
- Acts, if necessary, as a focal point and intermediary for the other directors.
- Ensures that any key issues not addressed by the Chair or the executive management are taken up.
- Is available to shareholders should they have concerns.
- Leads the annual appraisal of the Chair's performance.

#### Independent Non-Executive Directors

Alan Ferguson, Jane Griffiths, Xiaozhi Liu, Chris Mottershead, John O'Higgins, Doug Webb

##### Key responsibilities

- Constructively challenge the Executive Directors in all areas.
- Scrutinise management's performance.
- Help develop proposals on strategy.
- Satisfy themselves on the integrity of financial information and on the effectiveness of financial controls and risk management systems.
- Determine appropriate level of remuneration for Executive Directors.

#### Chief Executive

Robert MacLeod

##### Key responsibilities

- Has day to day responsibility for running the group's operations.
- Recommends to the board and implements group strategy.
- Applies group policies.
- Promotes the company's culture and standards.

#### Chief Financial Officer

Anna Manz

##### Key responsibilities

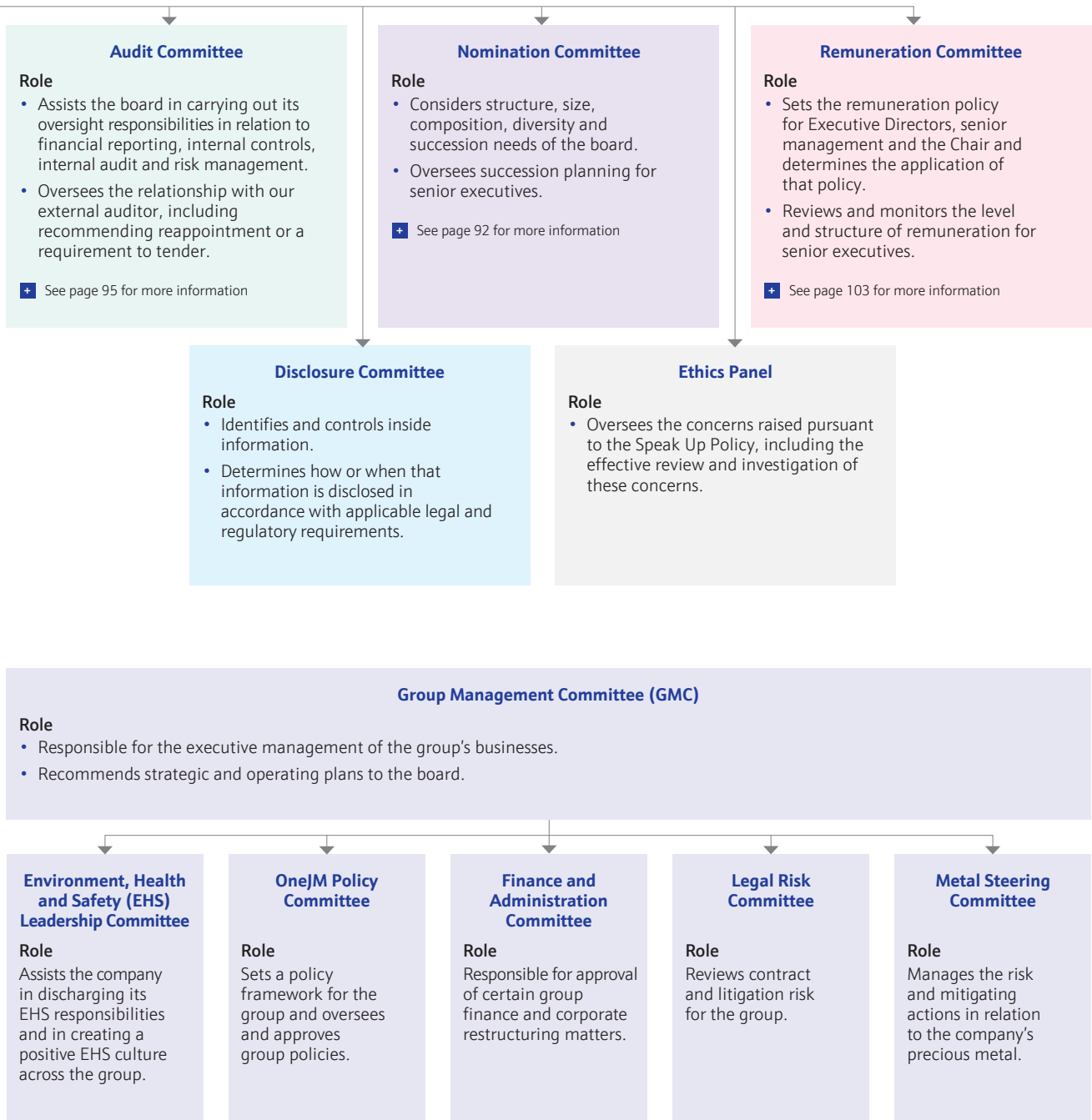
- Has day to day responsibility for the management of the finance function.
- Leads the group's finance activities, risks and controls.

#### Company Secretary

Linda Bruce-Watt

##### Key responsibilities

- Together with the Chair, keeps the effectiveness of the company's and the board's governance processes under review.
- Provides advice on corporate governance issues.



+ More detail on the role and responsibilities of our committees can be found on our website [matthey.com](http://matthey.com)

## Governance

# Corporate Governance Report continued

### Independence

The board recognises the importance of maintaining independence of the board through the Chair and Non-Executive Directors, to challenge and scrutinise management's performance and ensure the integrity of financial information and controls for the benefit of our stakeholders.

Patrick Thomas was appointed as Chair of the board in July 2018 and the board took steps to ensure he was considered independent on appointment, in accordance with the requirements of the code. Details on the appointment process for Patrick are set out in the 2018/19 Annual Report and Accounts which is available on our website at [matthey.com/ar19](http://matthey.com/ar19).

The board reviews Non-Executive Director independence annually. 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.

The Senior Independent Director, Alan Ferguson, will retire and be succeeded by John O'Higgins at the end of the AGM in July 2020. The Senior Independent Director is responsible for leading annual appraisal of the Chair's performance. This review was most recently carried out in April 2020 and included obtaining feedback from all board members. The Chair was considered to be effective in discharging his responsibilities.

### Time commitment of 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 Chair 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 Chair 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 additional external appointments for Doug Webb, Jane Griffiths, Patrick Thomas and John O'Higgins. The board considered the expected time commitments of each external appointment while considering each director's current responsibilities. After review, the board was comfortable that the individuals would be able to dedicate sufficient time to JM and that their additional appointments would benefit the board by adding to its experience and expertise.

**+** Details of the directors' other significant commitments can be found on pages 78 to 79

### 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 Companies Act 2006 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 March 2020, 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. The board concluded that there were no new matters which constituted a conflict. All conflicts and potential conflicts will continue to be reviewed by the board on an annual basis.

The board confirms that JM 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.

## Composition, succession and evaluation

### Composition

The 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. For further details on this, please refer to the Nomination Committee Report on page 92.

### Annual re-election of Directors

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

Doug Webb joined the board as a Non-Executive Director on 2nd September 2019 and, as required by the Articles of Association, will retire at the 2020 AGM and be proposed for election. Alan Ferguson will step down from the board at the end of the 2020 AGM and therefore will not stand for re-election. All other directors will be proposed 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 78 to 79.

### Evaluation

An evaluation of the board and its committees is carried out on an annual basis and externally facilitated every three years. The last external review led by independent consultants, Manchester Square Partners, was in 2017/18. This year, the Chair, supported by the Company Secretary, led an internal review in order to reflect on the effectiveness of the board, consider each director's own contribution and performance, and to identify areas for further improvement.

The review comprised a questionnaire compiled by Independent Audit, a specialist corporate governance consultancy, covering certain key topics including strategy, risk, board dynamics, culture and leadership. The Chair then held individual discussions with each member of the board regarding the board and its effectiveness. These conversations were open, honest and confidential. The Chair, 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 effective, with strong engagement, a high degree of openness and trust, and the right balance between challenge and support. Board members consider that the board continues to make a difference and that there had been significant improvements in how the principal risks are reviewed, as well as progress on culture and discussions on strategic priorities.

Progress from the 2018/19 evaluation and insight into the 2019/20 evaluation is set out below.

	2018/19	2019/20
	Action	Insight and update
<b>Strategy</b>	Continue to review the board's agenda plan to ensure there is sufficient time to allow the board to debate different scenarios and assumptions to refine strategy.	The board discussed the benefits of sharing strategic plans and initial thoughts at an early stage, to gain input to decisions. In addition, the board felt that more time could be spent considering the external drivers.
<b>Risk management</b>	Further work was needed to embed risk management culture and ensure adequate time is allocated on the board's agenda to consider the 'what ifs' that could impact our business.	The board has reviewed and challenged each of its principal risks throughout the year and considered emerging risks. Risk management continues to develop across the group and the board recommended that stress testing in areas such as crisis management continue. In addition, JM's risk universe has been reviewed in light of COVID-19. <a href="#">+ Read more about our principal risks on pages 70 to 74</a>
<b>Board composition</b>	Continue to keep the balance of skills and diversity on the board and committees under review.	During the year, the board reviewed the board Diversity Policy and the board skills matrix. The 2019/20 evaluation highlighted the need to monitor succession plans at all levels of the company rather than just for senior management to identify talent and future leaders of the company. <a href="#">+ Read more in the Nomination Committee Report on page 92</a>
<b>Board dynamics</b>	Review the number of preparatory and teach-in sessions to further Non-Executive challenge, support and contribution.	The board attended a number of site visits and teach-in sessions during the year and feedback on these was positive. A number of suggestions were made for future teach-ins. Board papers would be improved by clearly highlighting key issues in a comprehensible and succinct manner. <a href="#">+ Read more about the board site visits and teach-in sessions on page 84</a>
<b>People</b>	Continue to keep company culture and employee engagement under review and assess the way the workforce is treated in line with our values.	A number of site visits took place during the year which allowed the Non-Executive Directors the opportunity to meet the wider workforce. In addition, the board reviewed the results of the employee engagement survey, speak up responses and agreed JM's culture ambition. <a href="#">+ Read more about our people on page 41 and our workforce engagement on page 82</a>

Following the board's discussion of the 2019/20 review, an action plan will be agreed. These actions are likely to be in the areas of:

- Strategy development in relation to the business portfolio in addition to business unit strategy.
- Supporting senior executives in prioritising effectively by agreeing group priorities in the context of significant change and a volatile environment.
- Regularly reviewing leadership, talent and succession planning, to ensure plan and strategy delivery.
- Continue to improve risk management and review.
- Develop more ways of monitoring culture globally across all activities.

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

## Governance

# Corporate Governance Report continued

### Review of the Chair's performance

The Non-Executive Directors recognise that the Chair'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 Chair and for providing a fair and balanced assessment to shareholders.

In April 2020, the Non-Executive Directors, led by Alan Ferguson, met without Patrick Thomas being present to discuss his performance as Chair. Having considered his leadership of the board, including feedback from the Executive Directors, it was concluded that Patrick remained an effective Chair, with strong leadership and who facilitates open and constructive challenge.

## Audit, risk and internal control

### The Audit Committee

The board has established an Audit Committee of independent Non-Executive Directors. Details of its composition and work during the year are set out in the Audit Committee Report (pages 95 to 102).

The board is satisfied that as at the date of this report, two members of the Audit Committee, Alan Ferguson and Doug Webb, have 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.

### 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.

The process to determine whether the 2019/20 annual report is fair, balanced and understandable was reviewed by the Audit Committee and was considered to be effective. For further details on the process please refer to page 99.

The board considered the results of an assessment by management to ensure the annual report was critically reviewed and was satisfied that the narrative reporting presents the full story and is consistent with the financial reporting, statutory and adjusted measures are clearly explained, and that key messages and significant issues are highlighted and appropriately linked throughout the annual report.

The directors concluded that the 2019/20 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.

### Risk management and internal control

The board acknowledges that it is accountable for determining the extent and nature of the risks it is prepared to take in order to achieve JM's strategic objectives.

The board has overall responsibility for JM's approach to risk management, determines the appetite for each risk and ensures appropriate mitigating actions are in place, 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.

The board has responsibility for JM's internal controls systems. These systems comprise policies, procedures and practices, including the appropriate authorisation and approval of transactions, the application of financial reporting standards and the review of financial performance and significant judgements. This process has been in place throughout the year and up to the date of the approval of this annual report.

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

### Risk governance

#### The board

- Assesses principal risks and determines risk appetite.
- Responsible for the approach to risk management and internal controls.

#### Audit Committee

- Reviews the adequacy and effectiveness of internal control systems and risk framework.

#### Group Management Committee

- Champions risk management through sponsoring risk definitions, mitigation plans and monitors progress towards the appetite through our GMC risk sponsors.

#### Group Assurance function

- Provides independent advice and constructively challenges the range of risks identified and their materiality. Particular focus is provided to the progress of mitigating actions / projects in terms of their successful implementation and their likely effectiveness in reducing risk in line with our appetite.

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

The board delegates oversight of the adequacy and effectiveness of risk management and internal controls responsibility to the Audit Committee. Regular reviews are undertaken to ensure that JM is identifying, considering and mitigating risks appropriately.

The role and work of both the Audit Committee and the group's Assurance and Risk function are described in the Audit Committee Report on pages 100 and 101.

In line with the board's responsibilities to effectively manage risk, a robust assessment of JM's principal and emerging risks is carried out on a bi-annual basis to ensure goals and strategic objectives are aligned. The board periodically reviews selected principal risks in line with strategic deep dives performed by the GMC.

Progress is monitored to ensure appropriate controls are in place to reduce the risk in line with appetite. The Chair of the board, the Chief Executive and Company Secretary, ensure that all significant areas of risk, risk appetites and the related risk management and internal control systems are reviewed and considered during the course of the year.

The board of directors, through the Audit Committee, confirms that a robust assessment of JM's risk management and internal control systems has been carried out and no significant failings or weaknesses have been identified. This assessment covered all material controls, including financial, operational and compliance controls, and financial reporting processes, for the year. This review process accords with the FRC Guidance.

The COVID-19 pandemic has altered the external environment and has impacted the risks JM manages. These include supplier disruption, rise in mandatory / voluntary work from home and shifts in customers' behaviour. A dedicated Group Incident Management team was deployed in response to the pandemic to support a review of JM's risk universe and the impact of the pandemic has been detailed for each principal risk. The board's view of JM's key strategic and operating risks, and how the company seeks to manage those risks at board and management level with further details of the principal risks and the risk assessment process are set out on pages 67 to 74.

## Going concern

The code requires the board to state whether it considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements and identify any material uncertainties to the company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements. COVID-19 has introduced unprecedented uncertainty to the market outlook and, in response to this, we have undertaken extensive reviews of our businesses and projections under a range of potential outcomes. The group has a robust funding position and has tested its performance under a deep recession scenario and stress tested with a more extreme very deep recession scenario. In both scenarios, we have sufficient headroom against committed facilities and key financial covenants in the going concern period (15 months following the balance sheet date). Based on the group's business activities, its cash flow forecasts and projections, the board confirms it has a reasonable expectation that the group has adequate resources to continue in operational existence for the period, and accordingly, has adopted the going concern basis in preparing the financial statements for the year ended 31st March 2020.

Further detail on the group's going concern statement and the audit committee's assessment of that statement can be found on pages 65 to 66 and 99.

## Viability statement

The directors have assessed the prospects of the company over a three year period following a robust assessment of the principal and emerging risks affecting the company, the business model, forecasts and strategic plans. In making the viability assessment a number of severe but plausible stress scenarios were considered and details of this process are set out on page 75. 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.

## 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. The Remuneration Committee ensures that the Remuneration policies and practices are designed to support the company's strategy and promote long term sustainable success. The company will be putting a new Remuneration Policy to shareholders at the 2020 AGM, further details can be found on pages 103 to 122.



## Governance

# Nomination Committee Report



### Chair of the Nomination Committee

Patrick Thomas

### Members



Alan Ferguson



Jane Griffiths



Xiaozhi Liu<sup>1</sup>



Chris Mottershead



John O'Higgins



Doug Webb<sup>2</sup>

### Key objective:

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

### Principal responsibilities:

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

### 2020/21 priority:

- Ensuring the continued effectiveness of the board as a whole.

## A board for success

Ensuring the balance of diversity of skills, experience and knowledge to deliver our strategy and support the long term success of the company.

This is my second report as Nomination Committee Chair and I'm pleased to report on the progress we've made in 2019/20. The committee continues to focus on succession planning to ensure the board and senior management have the right capabilities to develop and execute our strategy, and deliver the change required to sustain growth and create value.

We welcomed two new Non-Executive Directors to the board in 2019/20, Xiaozhi Liu and Doug Webb. Both bring a diverse range of skills and expertise to the board. Following Alan Ferguson's retirement at the end of our 2020 Annual General Meeting (AGM), Doug will take over Alan's responsibilities as Chair of the Audit Committee. In addition, John O'Higgins will succeed Alan as Senior Independent Director. The board would like to thank Alan for his significant and valued contribution over the past nine years.

During the year, we considered board succession and evaluated the directors' skills and expertise in order to identify the criteria for future appointments. We also reviewed succession, development 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 the 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. This includes evaluating the balance of skills, knowledge, experience and diversity on the board and considering the effectiveness of the succession planning process for board members.

We also consider the effectiveness of senior management development and succession planning, including the 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 reviewed in March 2020.

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

### Composition

As at the date of this annual report the committee has seven members; myself as Chair and all of 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.

<sup>1</sup> Appointed 2nd April 2019

<sup>2</sup> Appointed 2nd September 2019

## Committee meetings during the year

Our committee typically meets immediately prior to or following board meetings and on other occasions as needed. We met five times during 2019/20. 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	5	5	100%
Odile Desforges <sup>1</sup>	1st July 2013	2	2	100%
Alan Ferguson	13th January 2011	5	5	100%
Jane Griffiths	1st January 2017	5	4 <sup>2</sup>	80%
Xiaozhi Liu	2nd April 2019	5	5	100%
Chris Mottershead	27th January 2015	5	5	100%
John O'Higgins	16th November 2017	5	5	100%
Doug Webb	2nd September 2019	2	2	100%

<sup>1</sup> Odile Desforges retired from the board and the committee on 17th July 2019.

<sup>2</sup> Jane Griffiths could not attend one Nomination Committee meeting due to an unavoidable diary clash.

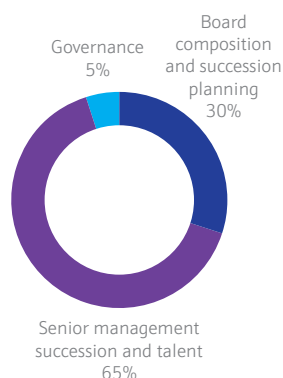
Since the end of 2019/20, the committee has met once and all members attended.

## Committee activities

Our principal activities during 2019/20, and up to the date of approval of this annual report, were as follows:

<b>Board composition</b>	Discussed and recommended proposed changes to the board and its committees. This included reviewing the number of Executive Directors in light of John Walker's retirement on 31st March 2020.
<b>Non-Executive Director succession</b>	Recommended to the board that Alan Ferguson's term of appointment be extended from 14th January 2020 until the end of the company's AGM on 23rd July 2020, including the necessary determination of whether Alan remained independent.
<b>Election and re-election of Directors</b>	Recommended to the board that Doug Webb be proposed for election as a non-executive director and that all other current directors be re-elected at the 2020 AGM, excluding Alan Ferguson who would not be proposed for re-election.
<b>Talent management framework</b>	Reviewed and discussed the refreshed approach to talent review which has been rolled out across management, the areas of focus and the next steps for 2020 onwards.
<b>Succession planning and senior management changes</b>	Reviewed the 2020 succession and development plans in respect of the GMC including the Chief Executive and other senior executives in each sector and group function.
<b>Review of performance and effectiveness during 2019/20</b>	Undertook an internal review of the committee's performance and effectiveness.
<b>Nomination Committee Report</b>	Reviewed and approved the 2020 Nomination Committee Report.
<b>Board skills matrix</b>	Reviewed the directors' skills, experience and diversity by way of self-assessment to ensure that the board as a whole remains balanced and to identify any areas for development and support succession planning.
<b>Terms of Reference</b>	Recommended that the Nomination Committee terms of reference be approved by the board.

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



## Governance

# Nomination Committee Report continued

### Diversity

The benefits of diversity, in its broadest sense, 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 the 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 the company's website.

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

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. The committee is pleased to report that as at the date of this report the board consists of 3 females (33%), and the GMC consists of 4 females (57%). During the year the board has continued to promote diversity at all levels of the organisation, including in the boardroom, to promote an inclusive culture across JM.

The gender balance of the board as at 31st March 2020 is shown on page 80 and of those in senior management positions and their direct reports, on page 43. For the purposes of the code, the direct reports of senior management, defined as the GMC and the Company Secretary, are stated in the senior managers disclosure on page 43. For further details on diversity and inclusion across JM, including our Equal Opportunities Policy, see page 44.

### Board skills matrix

The committee reviewed the skills, diversity and capabilities of the current board members, as part of the board and committee appraisal process. This involved self-assessment by each director 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 board are summarised on page 80.

### Succession planning

#### Executive succession

One of the committee's key roles 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. During the year under review, the committee oversaw the search for a new executive to succeed John Walker. John retired from the company and stepped down from the board on 31st March 2020 after a 36-year career with Johnson Matthey. Following a competitive search process, Joan Braca was chosen as the new Sector Chief Executive, Clean Air. Joan joined from Tate & Lyle and has significant experience in running complex businesses, driving growth in emerging markets and delivering efficiencies in more mature markets. On a regular basis the committee reviews the performance and development plans of the GMC members as well as understanding the capabilities and potential of the reports to the GMC. In March 2020 the committee carried out a more thorough review of executive succession and put in place a series of actions to ensure succession is being appropriately planned. Also, a refreshed approach to our talent review has been rolled out across management and approximately 1,500 leaders / managers have been assessed using the new model. The resulting data has been used to review succession for leadership roles.

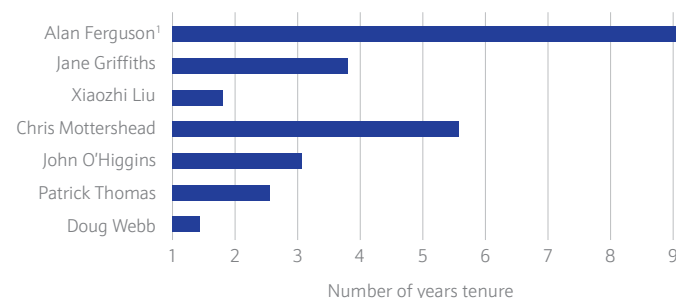
The committee will continue to monitor the cultural factors that impact talent strategies and influence a positive and productive culture, creating a career destination of choice for current and future talent.

[Read more about our values on page 41](#)

#### Non-Executive Director succession

In accordance with the code, the committee monitors the tenure of the Non-Executive Directors against the recommended nine-year term to ensure an orderly succession. This is illustrated in the table below.

#### Tenure of our Non-Executive Directors as at 31st March 2020



<sup>1</sup> Alan Ferguson's appointment was extended past the nine year term following an assessment of Alan's independence which is described in detail in the 2019 Annual Report.

In line with our succession planning, we made a number of changes to the board in 2019/20. Odile Desforges stepped down in July 2019 and Xiaozhi Liu and Doug Webb joined the board as Non-Executive Directors in April and September 2019, respectively.

In addition, the committee recommended to the board that Alan Ferguson's term of appointment be extended from 14th January 2020 until the end of the company's 2020 AGM when he would step down from the board and John O'Higgins would take over as Senior Independent Director. This followed the board's determination that Alan would still be considered independent as, notwithstanding his length of tenure, it was felt that he would continue to demonstrate challenge and probe management to ensure they are held accountable.

### Committee effectiveness

In January 2020, I led an internal review of the effectiveness of our board and its committees. The review covered the committee's role, responsibilities and operations. The review showed that the committee continues to operate effectively, particularly 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.

The 2020/21 review of the effectiveness of the board and its committees will be externally facilitated and the results and any recommendations will be presented to the board and respective committees.

The Nomination Committee Report was approved by the Board of Directors on 11th June 2020 and signed on its behalf by:

**Patrick Thomas**  
Chair of the Nomination Committee

# Audit Committee Report



**Chair of the Audit Committee**  
Alan Ferguson

## Members



Jane Griffiths



Xiaozhi Liu<sup>1</sup>



Chris Mottershead



John O'Higgins



Doug Webb<sup>2</sup>

## Key objective:

To provide oversight of financial reporting and internal controls.

## Principal responsibilities:

- Monitor the integrity of the company's financial reporting.
- Review the effectiveness of internal controls.
- Oversee the relationship with the external auditor.
- Oversee the execution and effectiveness of the internal audit function.

## 2020/21 priorities:

- Monitor controls around new enterprise resource planning (ERP) system as more of these migrate to automated controls.
- Review systems and controls in a COVID-19 environment.
- Review revised processes on group metal requirements and associated key performance indicators.

## Accounting in a challenging environment

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.

This is my final report to you as Chair of the Audit Committee. Having joined the board in January 2011 and been appointed as Chair of the committee in July 2011, I will retire at the end of the company's forthcoming Annual General Meeting. I will hand over to Doug Webb, who joined the board and the committee in September 2019.

During my tenure, I have seen the role of the committee evolve as stakeholders seek greater assurance over the robustness of controls and the integrity of financial reporting. This is reflected in the evolution of JM, as we have strengthened controls, commenced the implementation of a new enterprise resource planning (ERP) system and enhanced our risk management processes to adapt to a changing external environment. I would like to thank members of the committee, the executive management team, and the external and internal auditors for their efforts and support over the year, and indeed the last nine years, it has been a privilege to work with all of them. Of course, this year we cannot ignore the impact of COVID-19 on our business and this is dealt with elsewhere in this report. However, it is important to state upfront the committee's appreciation of both the finance community within JM, and our auditor PricewaterhouseCoopers LLP (PwC), for having the adaptability, confidence and resilience to deliver this set of accounts in a virtual world. It could only have been achieved by agile, yet detailed, planning, teamwork and sheer hard work and the committee is extremely grateful for their combined efforts.

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 Health and Clean Air Sectors, together with key challenges and financial risks. We also spent time considering and challenging metal governance and controls, credit controls and credit risk, ERP key controls and the key control questionnaire results.

As Chair of the committee, I am pleased to say that the committee continues to operate well and remains informed of relevant changes and developments in the external audit market. Looking ahead to next year, the committee will continue to monitor controls around the new ERP system during the migration to greater automated controls. The committee will also review the systems and controls in a COVID-19 environment, as well as revised processes on group metal requirements and associated key performance indicators.

## 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, internal audit and assurance, and in overseeing the relationship with the external auditor. More details on our role and responsibilities can be found in our terms of reference which were reviewed in April 2020 and are available on our website.

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

<sup>1</sup> Appointed 2nd April 2019

<sup>2</sup> Appointed 2nd September 2019

## Governance

# Audit Committee Report continued

### Composition

Our committee currently comprises six members; myself as Chair and all of the independent Non-Executive Directors. Odile Desforges resigned from the board and the committee in July 2019, and I thank her for her contribution. We welcomed Xiaozhi Liu to the committee in April 2019 and Doug Webb in September 2019, who, as mentioned previously, will succeed me as committee Chair. Both Doug and I have

significant financial expertise and are experienced Chartered Accountants. Doug has a background in corporate financial management and has served as Chief Financial Officer of three listed companies. Doug is currently a Non-Executive Director and Chairman of the Audit Committee of The Manufacturing Centre and BMT Group Limited.

As a committee, we have a broad range of knowledge, skills and experience gained

from a variety of backgrounds, as detailed on pages 78 to 80. This diversity is essential to the effective discharge of our duties.

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

The Company Secretary acts as secretary to the committee.

### Committee meetings during the year

The committee met five times during the 2019/20 financial 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 <sup>2</sup>	1st July 2013	2	2 <sup>3</sup>	100%
Jane Griffiths	1st January 2017	5	5 <sup>3</sup>	100%
Xiaozhi Liu	2nd April 2019	5	5	100%
Chris Mottershead	27th January 2015	5	5	100%
John O'Higgins	16th November 2017	5	5	100%
Doug Webb	2nd September 2019	2	2	100%

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

<sup>2</sup> Odile Desforges retired from the board and the committee on 17th July 2019.

<sup>3</sup> Odile Desforges and Jane Griffiths could not attend part of one committee meeting due to an unavoidable diary clash.

Since the end of the 2019/20 financial year, the committee has met three times and all members attended. 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 are also attended by the lead audit partner, and other representatives from the external auditor, PwC. Their attendance is essential 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 separately with the Chief Financial Officer, the Group Assurance and Risk Director and with the auditors. In addition, I hold meetings with the Chief Financial Officer, the Group Financial Controller and the auditors prior to the full and half year committee meetings as this means any issues or concerns can be raised at an early stage, which enables 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, with an appropriate degree of challenge.

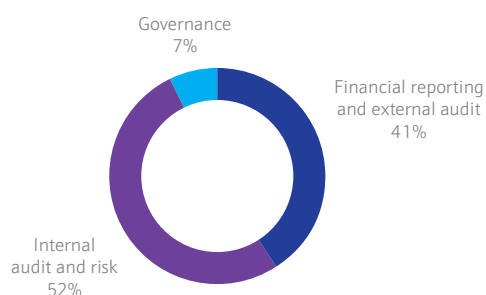
### Committee activities

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> </ul>
	<ul style="list-style-type: none"> <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> </ul>
	<ul style="list-style-type: none"> <li>Reviewed the financial reporting framework of the parent company financial statements.</li> </ul>
	<ul style="list-style-type: none"> <li>Considered a paper which detailed how we plan to respond to the points raised in the annual letter from the Financial Reporting Council to Audit Committee Chairs and Chief Financial Officer's on key matters that are relevant to this year's reporting season.</li> </ul>

Responsibility	Activity
(continued)	<ul style="list-style-type: none"> <li>Assessed the process which management put in place to support the board when giving its assurance that the 2020 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.</li> <li>Reviewed reports from the General Counsel on group litigation and disputes.</li> <li>Reviewed reports on credit controls and credit risks.</li> <li>Approved the 2020 Audit Committee Report.</li> <li>Reviewed and recommended the approval of elements of the 2020 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>
Risk management and internal control	
<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 group assurance, risk reviews and risk management processes.</li> <li>Monitored progress against the 2019/20 group assurance and risk plan and agreed the 2020/21 plan.</li> <li>Reviewed and approved the three year strategy for the group Assurance and Risk function.</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 group 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 presentations from the Health and Clean Air Finance Directors.</li> <li>Received reports on the ERP system control environment following implementation at a number of sites.</li> <li>Met with the group Assurance and Risk Director without management present.</li> </ul>
External auditor	
<b>To oversee the relationship with the external auditor, to monitor its independence and objectivity to 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 audit plan and fees for 2019/20.</li> <li>Discussed and agreed to an extension to the year end reporting timetable to allow for the inefficiencies arising from having to undertake a virtual audit.</li> <li>Considered reports from the auditors, including their views on our accounting judgements and control observations.</li> <li>Approved the provision of permissible non-audit services from PwC in respect of immigration services until 1st January 2020 and implemented a new and much more restrictive policy for non-audit services. Further information on this can be found on page 102.</li> <li>Received updates on external audit market reviews, including the Brydon review, the Competition and Markets Authority's market structure study, the Kingman review and the BEIS Select Committee report on 'The Future of Audit'.</li> <li>Met with the external auditor without management present.</li> <li>Considered and reviewed indicators of audit quality and recommended the reappointment of PwC as auditor.</li> </ul>

The graph below shows an estimate of how the committee has spent its time during the year until 31st March 2020.



## Governance

# 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 issues in relation to the accounts	Work undertaken	Outcome
<b>COVID-19 pandemic</b>		
<p>The COVID-19 pandemic has impacted many countries in which the group operates, with measures taken by governments to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services, significantly disrupting business activity and resulting in a severe economic slowdown.</p> <p>The Clean Air Sector, in particular, has been impacted by the pandemic, temporarily closing most of its manufacturing plants outside China from March to June in response to the temporary closures of the manufacturing facilities of its global automotive customers.</p>	<p>We received a report from management which explains the accounting and disclosure implications of the pandemic. The report was reviewed and discussed with management and PwC to ensure that the committee was satisfied with its conclusions.</p>	<p>The group has updated its budgets and plans to reflect the impact of the economic slowdown and these have been used in its viability and going concern assessment and annual goodwill impairment testing, and to identify other asset impairments. No goodwill or other asset impairments have been identified as a direct result of COVID-19, although headroom has reduced (see below), and the group continues to prepare its accounts on a going concern basis.</p> <p>Notwithstanding a track record of insignificant bad debts, the group has recognised increased provisions for expected credit losses on trade and contract receivables reflecting the risk that it will incur bad debt losses in the future.</p> <p>Whilst stock market values have reduced, the group has not experienced a reduction in the value of its pension assets as a result of its strategic asset allocation and hedging arrangements.</p> <p>The Annual Report includes additional disclosures, in particular, in respect of viability and going concern, goodwill impairment testing, idle assets, pension assets and expected credit losses.</p> <p>We concluded that the financial impact of the COVID-19 pandemic has been appropriately accounted for and disclosed in the group's accounts.</p>
<b>Significant recurring issues in relation to the accounts</b>		
<b>Impairment of goodwill, other intangibles and other assets</b>		
<p>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>	<p>We received a report from management which explains the methodology used, assumptions made and significant changes from those used in prior years, including the impact of the COVID-19 pandemic on the group's budgets and plans. The key assumptions and sensitivities were discussed with management and assessed for their reasonableness.</p> <p>The impairment reviews were an area of focus for PwC who reported their findings to us.</p>	<p>Management identified impairments in respect of:</p> <ul style="list-style-type: none"> <li>the planned restructuring of three manufacturing plants in Clean Air (£61 million);</li> <li>the refocusing of our Battery Materials Lithium Iron Phosphate (LFP) CGU in New Markets (£57 million) as LFP commodities; and</li> <li>the termination of the development of 21 molecules following a fundamental review of the new product pipeline in Health (£20 million).</li> </ul> <p>Whilst the other annual impairment tests did not result in impairments, the headroom over the carrying value of the net assets of the material CGUs has been reduced, in particular for the impact of COVID-19 on the group's budgets and plans.</p> <p>We concluded that management's key assumptions and disclosures are reasonable and appropriate.</p>

Significant recurring issues in relation to the accounts	Work undertaken	Outcome
<b>Refining process and stock takes</b>		
When agreeing commercial terms with customers and establishing process loss provisions, key estimates are made of the amount of precious metal that may be lost during the refining and fabrication processes. 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>We received a report from management which summarises the results of the refinery stock takes in the US and India. The report was reviewed to ensure that the results were in line with expectations and historic trends and, where this was not the case, explanations were provided by management.</p> <p>As a result of the continued focus on backlog reduction, as planned, there was no refinery stock take in the UK during the year and, therefore, we reviewed the additional controls and procedures performed by both management and PwC. The results of the refinery stock take performed at the recently constructed plant in China in January 2020 will be reported to the Committee in November 2020.</p> <p>The refining process and stock takes were an area of focus for PwC who reported their findings to us.</p>	We concluded that management's accounting for refining stock take gains and losses was in accordance with the agreed methodology and that the additional controls and procedures performed in the absence of a UK refinery stock take were appropriate.
<b>Post-employment benefits</b>		
Key estimates are made in relation to the assumptions used to value post-employment benefit obligations, including the discount rate and inflation.	We received a report from management which summarises the key assumptions used to value the liabilities of the main post-employment benefit plans. The assumptions were compared with those made by other companies and PwC's assessment of the reasonableness of the assumptions was considered.	<p>Past service credits totaling £20 million were recognised in underlying operating profit as a result of changes to two of the group's post-employment benefit plans during the year.</p> <p>We concluded that the assumptions used, and accounting treatment, are appropriate for the group's post-employment benefit plans.</p>
<b>Tax provisions</b>		
Key estimates are made in determining the tax charge in the accounts where the precise impact of tax laws and regulations is unclear.	<p>We received a report from management which explains the issues in dispute, or at risk of this, with tax authorities across the business, the calculation of tax provisions and relevant disclosures. The calculations were discussed and challenged.</p> <p>Tax provisioning was an area of focus for PwC who reported their findings to us.</p>	<p>IFRIC 23 uncertainty over income tax treatments was adopted with the cumulative effect of adoption, a £5 million decrease in tax provisions (including interest) recognised in the groups reserves on 1 April 2019.</p> <p>Tax provisions increased as a result of a £12 million provision recognised during the year following developments in respect of an open matter with the tax authorities, partly offset by a £6 million provision released on settlement of a long standing matter with the tax authorities. We concluded that management's estimates and disclosures are reasonable and appropriate.</p>
<b>Provisions and contingent liabilities</b>		
Key estimates are made in determining provisions in the accounts for disputes and claims which arise from time to time in the ordinary course of business. Key judgements are made in determining appropriate disclosures in respect of contingent liabilities.	<p>We received a report from management which provides information in respect of disputes and claims, and identifies the accounting and disclosure implications which were discussed and challenged.</p> <p>Provisioning for, and disclosure of, disputes and claims was an area of focus for PwC who reported their findings to us.</p>	We concurred with management's conclusions regarding provisioning and contingent liability disclosures.

### 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 2020 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides 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 by the Group Assurance and Risk Director. Group Accounts completed validation and tick back of all numbers and 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 effective.

The board's assessment on whether the 2020 Annual Report and Accounts is fair, balanced and understandable is set out on page 90.

### Going concern and viability statement

In order to appropriately assess going concern and viability during the COVID-19 pandemic this process was started earlier than usual as early engagement with the auditors, and indeed with the committee, on the scenarios being modelled was critical.



## Governance

# Audit Committee Report continued

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 also considered the risks associated with the UK's exit from the European Union (Brexit) which were well known to the board as they had received regular updates during the year from the company's Brexit working group. Further details on our going concern and viability, and the scenarios considered, are set out on pages 65-66 and 75.

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.

### 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 tracked, challenged and reported on.

#### 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. The questionnaire continues to be a critical component of our governance and assurance framework, describing the minimum set of controls our businesses need to keep our people safe, ensure compliance with the standards and regulations expected of us and protect our assets (physical and intellectual).

#### Key control questionnaire process



The businesses assess themselves against the questions and the results are then reviewed at sector, function and group levels as detailed in the diagram below. 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 Health Sector Finance Director who updated the committee on plans to enhance the control environment. The committee reviewed the key challenges and financial risks facing that sector, including inventory management. In addition, the committee received an update on the implementation of our ERP system in the Clean Air Sector and reviewed the plans to enhance the sector's control capabilities and ERP effectiveness. 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, policies, leases and the levels of working capital across the group.

Sector and functional reviews allow us to meet with, challenge and probe senior 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.

#### Group assurance and risk

The Group Assurance and Risk Director, who is new to JM, has brought a fresh perspective. She 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 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.

The Group Risk and Assurance Director presented her three year strategy for the function which built on the strong foundations already established. The purpose of the function was defined as to "assure, protect, advise and anticipate" with the focus areas being to improve efficiency and flexibility through the broader use of technology and to introduce a subject matter experts model to focus on key areas of risk like IT, metal and transformation.

#### Group assurance and risk annual plan

We spend a significant amount of time reviewing the group 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 2020/21 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 functions 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 and security audits, as well as input from JM's leadership, strategy and investor relations teams.

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 (including IT), legal, regulatory, commercial and business transformation risk areas. The committee believes the 2020/21 plan addresses JM'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.

The plan was prepared on a business as usual basis but recognising the uncertainties from COVID-19 it will be flexed to reflect conditions as the impact of the pandemic unfolds in our key markets.

### Group assurance and risk effectiveness

The committee reviews the effectiveness of the Group 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 with particular focus on the leader of the function. The performance of the function is reviewed annually. As noted above, the committee appointed a new Director of Group Assurance and Risk during the year and as part of her onboarding, she has undertaken an internal review of the function, considered the results of a self-assessment against the Institute of Internal Auditor's standards of integrity, objectivity, confidentiality and competence performed in the previous year and proposed a revised strategy for the function. The strategy has been reviewed and approved by the committee and we will be monitoring its execution accordingly. A formal review of the function, in line with the requirements of the Institute of Internal Auditors will be considered in the next year or so.

### 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 and establishing levels of risk appetite for the group's principal risks. The board may ask for additional assurance to be provided and this can be carried out by the Group 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 reports the findings of this review to the board as appropriate.

### External auditor

#### Tenure

PwC was appointed as the group's external auditor by shareholders in July 2018 following a formal tender process. This is the second year the group has been audited by PwC, Mark Gill continues to be the lead audit partner.

#### External audit plan

In developing the external audit plan for 2019/20, PwC performed a risk assessment to identify the potential 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 205 to 209 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 2019 and the forecast for 2019/20. Details of the coverage and the agreed scope are set out in the independent auditor's report on page 210. The procedures to be performed at a global level and the planned site visits were also reviewed. Materiality was agreed at approximately 5% of three-year average profit before tax adjusted for loss on disposal of businesses, loss on significant legal proceedings, major impairment and restructuring charges.

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.

Due to the impact of COVID-19, the plan subsequently required changes to adapt to the new working environment. The auditors for example could not attend some stock takes due to remote working and greater focus was required on areas such as impairment, the recoverability of accounts receivables and going concern. Further information on our year end process is included in the case study below.

### How we reviewed PwC's performance

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. This year the impact of COVID-19 required more extensive interaction with PwC and this included more direct conversations between myself and Mark as well as an additional committee meeting subsequent to the year end.

Where possible, the Chief Financial Officer and / or myself meet with the local audit partner when travelling to overseas sites to better understand the issues they see locally in terms of reporting, control and the quality of our finance teams. Importantly it also gives us the ability to judge the quality and commitment of the individual. A note of these meetings is then shared with the committee. The committee have also requested PwC to keep the committee informed of the work carried out by PwC's Quality Review partner.

## The challenges faced when compiling audited the year end accounts in a virtual world due to the COVID-19 pandemic

The original external audit plan prepared, agreed and communicated throughout the organisation required significant and timely rework as the impact of COVID-19 spread across the world in February and March.

The audit for this year had several challenges given a number of sites across the group were closed due to government lockdown restrictions spanning the majority of the period of the audit such as those in South Africa and India.

In addition, even though many sites did continue to operate across the group, as they were regarded as essential operations under many government regulations on COVID-19, PwC was not permitted to travel to sites to conduct audit procedures.

The restrictions placed on our staff and auditors resulted in alternative audit processes being adopted, for example:

- An inventory count, an essential audit procedure, is typically performed by management and attended in person by the auditor. To ensure this integral part of the audit was completed, PwC performed inventory counts remotely via live feed cameras, which they were directing, while JM staff conducted the counts procedures including specific testing on behalf of PwC.

- The audit testing of documents was also carried out remotely by PwC. Although the majority of documentation is held electronically there are a number of sites with documentation in paper form resulting in additional administrative activities with staff scanning documents (where they had access) to PwC document portals. A greater portion of audit testing would normally have been performed on site.

Additional procedures were incorporated into the audit by PwC to ensure both the robustness of the audit testing and that the required evidential support was obtained whilst delivering the right level of coverage across the income statement and balance sheet. Additional virtual meetings were scheduled with overseas management and audit teams to maintain robust oversight procedures given in person meetings were not possible. COVID-19 also meant that discussions relating to forward looking judgements were much more challenging due to the uncertainties created by the pandemic.

Finally, we all had to adjust to virtual meetings, which whilst working well are less efficient than face to face communication in an office environment.

Despite all of these challenges, the accounts and audit were delivered just two weeks after the originally planned announcement date which was a credit to all involved.

## Governance

# Audit Committee Report continued

In addition, 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

Following the FRC issuing a major revision to the ethical guidance for auditors in December 2019 the committee has adopted a revised policy on the provision of non-audit services. The group's auditors are now only able to provide additional services directly linked to audit and our policy is fully aligned with the new guidance. The revised policy came into effect on 15th March 2020. This policy also sets out the circumstances in which a former employee of PwC can be employed by JM and the procedure for obtaining approval for such employment. The policy ensures that the provision of non-audit services does not create a threat to PwC's auditor independence and objectivity.

When the auditor can be invited to provide a permitted non-audit service the policy sets out how approval should be obtained prior to PwC being engaged. The Audit Committee has pre-approved non-audit services up to £100,000. 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 Chair. Services likely to cost over £100,000 must be approved by the committee. During the year, the committee

approved the continued engagement of PwC to provide certain immigration advisory services (this work commenced before PwC were appointed as auditors) which ceased with effect from 1st January 2020.

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 £0.6 million compared with audit fees of £3.4 million, representing 18% of the audit fee. The non-audit fees predominantly comprised global immigration services (see above). 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 3 to the accounts, on page 151.

### 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 was complied with. The committee concluded that PwC was independent.

### Proposed re-appointment of PwC

Following the work undertaken by the committee in assessing PwC's performance and independence, the Committee agreed that PwC had a robust and professional

working relationship with management and demonstrated strong technical knowledge. As a result, a resolution proposing PwC's re-appointment as the company's auditor and authorising the committee to determine PwC's remuneration is included in the company's Notice of the Annual General Meeting.

### Statement of compliance

The committee confirms that during the financial year ended 31st March 2020, 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.

### Committee effectiveness

The committee's performance was reviewed as part of the 2019/20 internal board review. The committee was considered to be operating effectively, with progress made against the areas identified in the 2018/19 review, particularly with regard to the development of the assurance functions. More details on how the review was carried out can be found on page 89.

### Our priorities

In last year's annual report we set out our priorities, over and above our business as usual work, for 2019/20. Below, we report on the status of these and set out our priorities, over and above our business as usual work, for 2020/21.

2019/20	Comments
<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> </ul>	<ul style="list-style-type: none"> <li>We received updates on the control processes through specific sector updates, internal and external audit.</li> </ul>
<ul style="list-style-type: none"> <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> </ul>	<ul style="list-style-type: none"> <li>The committee received a specific update on security events and considered further improvements for the management of cyber risk.</li> </ul>
<ul style="list-style-type: none"> <li>The committee will monitor the company's progress to increase its use of data analytics by our assurance providers.</li> </ul>	<ul style="list-style-type: none"> <li>During the year, a 'teach-in' on the use of data analytics was led by PwC. The committee continues to monitor the ongoing work to develop data analytic capabilities with PwC and Internal Audit.</li> </ul>
2020/21	
<ul style="list-style-type: none"> <li>Monitor controls in and around the ERP system as more of these migrate to automated controls.</li> <li>Review systems and controls in a COVID-19 environment.</li> <li>Review revised processes on group metal requirements and associated key performance indicators.</li> </ul>	

The Audit Committee Report was approved by the board of Directors on 11th June 2020 and signed on its behalf by:



**Alan Ferguson**  
Chair of the Audit Committee

# Remuneration Report



**Chair of the Committee**  
Chris Mottershead

## Members



Patrick Thomas



Alan Ferguson



Jane Griffiths



John O'Higgins



Xiaozhi Liu<sup>1</sup>



Doug Webb<sup>2</sup>

## 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.

## Principal 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.

## 2020/21 priorities:

- Monitor the impact of COVID-19 on the business and resulting remuneration outcomes.
- Review alignment of reward with culture.
- Broader employee pay and incentive review.

<sup>1</sup> Appointed 2nd April 2019

<sup>2</sup> Appointed 2nd September 2019

## Aligning performance and reward

The Committee's purpose is to ensure the remuneration structure and policies motivate and reward fairly and responsibly with a clear link to performance and the delivery of long term strategy and value.

### Introduction

As Chair of the Committee, I am pleased to present our report for the year ended 31st March 2020. It comes at a time when the global community is navigating uncharted territory because of the onset of coronavirus (COVID-19). None of us yet know quite how broad its impact will be, or how deeply it will be felt. What we do know is that our industry, like many others, is seeing a significant demand and supply-side shock.

In light of these challenges, the board is monitoring the impact of COVID-19 on the business and is responding dynamically as the situation evolves having regard to financial performance but also the impact on our employees, customers, suppliers, communities and shareholders. Our existing Remuneration Policy, which we have reviewed during the year, includes the necessary flexibility and discretions to ensure that remuneration outcomes will be reflective of overall performance and that pay outcomes can also be adjusted to take account of our stakeholders' experiences. This year's policy review provided the opportunity to stress test these factors. In addition, the policy review also enabled the committee to make a number of refinements to our current policy to ensure that we continue to support our long term growth strategy at the same time as taking account of institutional investor feedback and general market developments.

### 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.

We aim to achieve this by focusing on delivering long term growth and value creation through leveraging our leading positions in high margin, technology driven growth markets. A key contributor to our future success will also be how well we deploy investment capital across our existing sectors and in our Battery Materials business. At the same time as managing growth over both the medium and long term and the impact of COVID-19, we are particularly focused on driving efficiency savings and cost control.

Our remuneration strategy focuses on motivating our talent to achieve our 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.

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.

## Governance

# Remuneration Report continued

### Remuneration review

Our current Remuneration Policy was submitted to shareholders at our 2017 Annual General Meeting (AGM) and we appreciated the high level of support we received at that time (92.3% in favour). The 2020 AGM will mark the third anniversary of our Remuneration Policy and as a result, in line with the current regulatory framework, we will seek shareholder approval for an updated Remuneration Policy.

During 2019, the committee conducted an extensive review of the effectiveness of our current Remuneration Policy. We started with a 'blank sheet of paper' to be sure we were bringing the latest thinking to the process. In terms of overall design principles, our review confirmed that the current construct of base salary, annual incentive and long term incentives remains appropriate. As we looked at alternatives, we could not find value in changing that construct at the current time given the specific purpose each element is designed to play. Nevertheless, we do believe that some fine tuning of our Remuneration Policy and structure is in order. The review also considered recent developments in institutional investors' best practice expectations and the remuneration updates included in the 2018 UK Corporate Governance Code. A number of the changes to our policy are in response to these factors.

### Pension

In light of (i) a broad review of employee pension arrangements; (ii) institutional investor expectations in relation to the alignment of Executive Director pensions with those of the wider workforce and (iii) changes to the UK Corporate Governance Code, Executive Director pensions are being reduced. Executive Directors will see their pension cash supplement reduce from 25% to 15% of salary by 1st April 2023 in three steps. The first reduction (to 23%) took place on 1st April 2020. The cost to the company of our standard pension provision to all UK employee is 15%.

### Annual incentive plan

There is no change to the annual bonus opportunity and the structure will continue to operate using the same overall framework as the current Remuneration Policy. Bonuses earned will continue to be based on performance against a challenging range of financial and, where appropriate, non-financial targets. A substantial proportion will be based on key financial measures, including underlying profit before tax (PBT). The committee will continue to retain discretion to adjust bonus outcomes to ensure that any bonus earned is reflective of overall company performance and the experience of our stakeholders, in particular employees and shareholders.

### Long term incentive plan

Awards are expected to be granted in 2020 at the same levels as those awarded in 2019 at 200% of salary for the Chief Executive and 175% of salary for the Chief Financial Officer. In determining the award sizes, the committee considered the degree of stretch in the targets which are considered at least as challenging as those set in prior years as set out below.

We plan to introduce relative Total Shareholder Return (TSR) alongside the existing performance measure of underlying earnings per share (EPS) growth and our return on invested capital (ROIC) underpin. This change will ensure that in addition to being aligned with achieving our earnings targets that there is also direct alignment with the benefits of delivering on our strategic business plans.

As part of our review of the long term Performance Share Plan (PSP), the committee also considered the inclusion of a third performance measure based on sustainability and / or strategic objectives that aligns to our value proposition of supporting our purpose of delivering 'a world that is cleaner and healthier today and for future generations'. It is proposed that this measure would represent no more than one-third of the overall award and would be based on quantifiable metrics. Work continues on the detail of the precise metrics for this element and so this measure will be introduced into future awards, and at the latest, by the time awards are granted in connection with the 2022/23 financial year.

With regard to the performance targets to operate for the 2020 awards, these are expected to be as follows:

- 50% of the award will vest based on EPS growth targets. The targets require EPS growth of 3% pa for 15% of this part of the award to vest, rising to 100% vesting for EPS growth of 8% pa. Growth will be measured over the three year performance period ending 31st March 2023. The performance range has changed relative to the 2019 awards, however the Committee is satisfied that the proposed range is at least as challenging to those set in 2019 noting the current and projected challenging commercial context.
- 50% of the award will vest based on relative TSR performance. The targets will require our TSR to be at least median when compared against the companies ranked 31 to 100 (excluding financial services companies) in the FTSE 100 Index over the three year performance period ending 31st March 2023. Achieving median performance will result in 25% of this part of the award vesting, rising to 100% vesting for upper quartile (or better) TSR performance.

In determining the above quantum and targets, the committee also intends to include in the award documentation a provision that enables the committee to reduce the value of awards on vesting if there has been a windfall gain arising from a quicker than expected general market recovery from COVID-19. While this is not expected to be used in practice, given current circumstances and the consequent challenge in setting targets the committee consider this a prudent approach.

During the year the committee has been involved in a number of discussions relating to the hiring of members of the company's senior leadership team including the appointment of Joan Braca (succeeding John Walker as Sector Chief Executive, Clean Air), Christian Günther (Chief Executive, Battery Materials) and Maurits van Tol (Chief Technology Officer). This experience highlighted that to get the talent required, the company is under increasing pressure to match often higher long term incentive opportunities. As a result, to ensure that the committee has the necessary flexibility to compete for executive talent in the future it is increasing the maximum award under the PSP to 250% of base salary. There is no intention that the higher award levels will apply to existing Executive Directors unless the committee pre-consults with shareholders, but the change will help support future Executive Director appointments if required.

The committee also intends to include a minimum two year holding period on future vested long term PSP awards. This approach was voluntarily adopted for the 2019 award outside of the current policy but is now being formally included within our policy.

## Post-cessation shareholding guideline

From 1st April 2020 we have introduced a post-cessation shareholding guideline that applies to future share awards that vest, which we believe will ensure the continued alignment of Executive Directors even after they cease employment with the company and to reflect developments in the UK Corporate Governance Code. This guideline will require the executives to retain future vested shares to the value of the current share ownership guidelines for two years from the date of cessation of employment.

## Salary Review

In light of the impact of COVID-19 a decision was made to freeze pay levels in 2020 and as such the Executive Directors will not receive an increase in their base salary in 2020, and neither will the Non-Executive Directors receive an increase in their fees in 2020.

## Voluntary Contribution

In recognition of the circumstances affecting many of our employees, customers, suppliers and communities as a result of COVID-19, the board members each voluntarily donated 20% of their salary for April, May and June 2020 to a special charitable fund to support science education.

## 2019/20 incentive plan outcomes

During the year Johnson Matthey delivered a solid set of results albeit impacted by COVID-19 toward the end of the year. It also continued to implement its strategy; market leading growth and commercialisation of new technologies in our Efficient Natural Resources Sector; progress on the delivery of our product pipeline in our Health Sector; and good progress on the development of our Battery Materials business. 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.

Based on our analysis of performance outcomes, the Executive Directors missed the group underlying PBT target but performed strongly against the group working capital days financial target and their non-financial objectives. Delivery against the objectives was also underpinned by demonstrating expected leadership behaviours aligned to our values and achieving a satisfactory health and safety record over the year. Further details on the performance against the annual targets is set out within our Implementation Report.

Consequently, the bonuses becoming payable are 26% of the maximum for Robert MacLeod, 26% of the maximum for Anna Manz and 20% of the maximum for John Walker.

In the context of a challenging market environment, the progress made against our long term strategy, and our shareholder's experience, the Committee considered the level of annual bonus payout appropriate, and as such no discretion was exercised given the overall relationship between performance and rewards achieved.

The formulaic outcome for the vesting of the long term PSP awards granted on 1st August 2017 was zero. It was not felt appropriate to adjust the outcome and as such there is zero PSP vesting for the Executive Directors.

## Single figure results

The 2019 single figure of total remuneration for Robert MacLeod is £1,462,000, Anna Manz is £885,000 and John Walker is £809,000, as reported on page 115. These outcomes represent a 47% decrease for Robert, a 46% decrease for Anna, and a 51% decrease for John, reflecting reductions in annual and long term incentive outcomes. The lower remuneration is consistent with the lower share price and the experience of shareholders and as such we deem these outcomes reasonable.

## Board changes

In June 2019 we announced John Walker's intention to retire from Johnson Matthey on 31st March 2020, after a long and distinguished career.

The remuneration terms agreed by the committee in respect of John's retirement are in line with our policy and include no special arrangements. Given John's cessation of employment related to retirement, he was a good leaver for the purpose of outstanding incentives which all remain subject to their original performance conditions and vesting terms. Full details are set out on page 115.

With John's retirement the board has taken the opportunity to reduce its size. As a result the committee did not need to consider any remuneration arrangements of new Executive Directors during the year.

## Group employee considerations

The committee has had the opportunity to understand the remuneration of the wider workforce during the year. In addition, we reviewed the pay levels of employees below the board, particularly in relation to equal pay and the UK gender pay gap. We have made good progress with our UK gender pay gap reducing from 8.5% to 6.0%. Despite this good progress the company remain committed to continue to tackle the root causes of our gender imbalance and to ensure a truly inclusive culture that supports diversity.

## 2020 Annual General Meeting

The committee has appreciated the feedback from our major shareholders through the consultation on our Remuneration Policy, which has helped shape our proposed policy.

I ask you to support our new Remuneration Policy and 2019/20 Annual Report on Remuneration at our forthcoming AGM on 23rd July 2020. We believe that our policy remains simple, transparent and effective, strongly supporting our business strategy with remuneration outcomes aligned to the shareholder experience.



**Chris Mottershead**

Chair of the Remuneration Committee

## Governance

# Remuneration Report continued

## Remuneration overview

### 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 which was informed following consultation with our key shareholders during the year will, subject to a shareholder approval, take effect immediately following the 2020 AGM and apply to all remuneration for the financial year 1st April 2020 onwards.

The previous remuneration policy was approved by shareholders in July 2017, with 92.3% votes cast in favour. The only significant changes between the new policy and that previously approved by shareholders are:

- A reduction in the pension cash supplement from 25% to 15% to align with the pension contribution paid to the wider workforce in the UK. From 1st April 2020 the cash supplement will be 23%, it will then reduce to 20% in April 2021 and reduce to 15% in April 2022.
- The introduction of Total Shareholder Return (TSR) as an additional measure in the Performance Share Plan (PSP) with the option to include further performance metrics and / or refine metrics as our strategy evolves. This is expected to include targets relating to sustainability during the policy period subject to shareholder consultation. The TSR comparator group is the FTSE 31-100 (excluding financial services companies).
- A change to PSP such that awards will vest, subject to meeting the performance conditions, over the three year performance period, after which the directors will be required to hold any vested shares until the fifth anniversary of the award. This change was introduced for the awards in 2019 but is now being formally included in the policy to apply to all future PSP awards.
- In light of our revised approach to performance targets under the PSP, we are to provide flexibility to set threshold vesting at 25% of that part of the award to reflect normal market practice. For the FY 2020/21 awards, the new TSR element will operate with 25% of this part of the award vesting at the threshold performance level with the EPS element continuing to operate with 15% of this part of the award vesting at the threshold performance level. The committee will review the appropriate level of threshold vesting at the time of making awards each year in light of the degree of stretch in the targets set for the following three-year period. An increase to the maximum award level under the PSP to 250%. There is no intention to increase the award levels to current Executive Directors. If a new Executive Director is appointed during the policy period, this increased maximum may apply if necessary for recruitment purposes (both in connection with their appointment and on an ongoing basis). Any adjustment to the ongoing annual award level would be subject to appropriate dialogue with our shareholders.
- The requirement for executives to have a post-cessation shareholding in line with current guidelines (250% of salary for the Chief Executive and 200% of salary for the Chief Financial Officer, or their holding on leaving if lower than the guideline) for a period of two years after leaving. This post-cessation shareholding requirement applies to shares acquired after 1st April 2020 only.

### Approach to designing the Remuneration Policy

The committee is responsible for the determining, and agreeing with the board, the Directors' Remuneration Policy and has oversight of its implementation. The committee has clear terms of reference and works with management and independent advisers to develop proposals and recommendations and exercises independent judgement when making decisions. This process is considered to manage any potential conflicts of interest.

When considering how to structure and position the remuneration packages for the Executive Directors, the committee firstly considers the company's strategy and business objectives and then also takes into account market data from a range of sources that includes both UK-listed companies of a similar size and complexity and international peers. The committee also reviews information from the Chief HR Officer on pay and employment conditions applying to other group employees, consistent with the group's general aim of seeking to reward all employees fairly according to the nature of their role, their performance and market forces.

In designing an appropriate incentive structure for the Executive Directors and other senior management, the committee seeks to set challenging performance criteria that are aligned with the group's business strategy and the generation of sustained shareholder value. The committee is also mindful of the need to avoid inadvertently encouraging risky or irresponsible behaviour, including behaviour that could raise environmental, social or governance issues.

The committee considered the principles listed in the 2018 UK Corporate Governance Code when reviewing the Directors' Remuneration Policy and took these into account in its design and implementation:

**Clarity:** Remuneration arrangements have defined parameters which can be transparently communicated to shareholders and other stakeholders.

**Simplicity:** Remuneration arrangements for Executive Directors consist of salary, a fixed pension contribution set to reflect the typical rate provided to the UK workforce, participation in the annual bonus scheme, a portion of which is deferred into shares, and annual long term incentive plan awards which provide focus over the longer term performance. Unnecessary complexity is avoided by the committee in operating the arrangements.

**Risk:** The remuneration arrangements are designed to have a robust link between pay and performance thereby mitigating the risk of excessive reward. In addition, behavioural risks are considered when setting targets for performance related pay and the arrangements have safeguards to ensure that pay remains appropriate including committee discretion to adjust incentive outturns, deferral of incentive payments in shares, recovery provisions and share ownership requirements.

**Predictability:** The committee set specific targets for different levels of performance which are communicated to the individuals and disclosed to shareholders.

**Proportionality:** The annual bonus and long term incentive plans have performance metrics that are aligned with the company's KPIs and the payouts reflect achievement against the targets. The committee may reduce payouts under the bonus and long term incentive plan if they are not considered aligned with underlying performance. Safeguards are identified to ensure that poor performance is not rewarded.

**Alignment to culture:** The directors' remuneration arrangements are cascaded down through the organisation ensuring that there are common goals. The committee review remuneration arrangements throughout the company and take these into account when setting directors' remuneration.

## Policy table

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
<b>Base salary</b>		
<p>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>	<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 also take into account the director's knowledge, contribution to the role, length of time in post, and any additional responsibilities since the last salary review, as well as 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 directors' 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 115.</p>
<b>Annual Incentive Plan</b>		
<p>The Annual Incentive Plan (AIP) provides a strong incentive aligned to strategy in the short term. It allows the board to drive and reward both financial and non-financial metrics, including leadership behaviours, in order to deliver sustainable growth in shareholder value.</p> <p>The AIP 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 the AIP 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, misconduct by the individual or serious reputational damage.</p> <p><b>Adjustments</b></p> <p>The Remuneration Committee retains discretion to change the performance targets if there is a significant and / 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, including leadership behaviour, has 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 committee may use different performances and / or 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 underlying PBT.</p> <p>Targets are set on a robust bottom up process to achieve full accountability. The financial performance targets are retrospectively published in the immediately following Annual Report on Remuneration. Details of last year's bonus awards are on page 116.</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>



## Governance

# Remuneration Report continued

Purpose and link to strategy

Operation (and changes if appropriate) of the element

Potential value of element and performance measures

### Performance Share Plan

The Performance Share Plan (PSP) is designed to ensure that executives take decisions in the interest of the longer term success of the group. Having measures that look at profitable growth and performance relative to a comparator group over the longer term ensures that the interests of executives are aligned with shareholder wishes for long term value.

Shares may be awarded each year and are subject to performance conditions over a three year performance period. Subject to the performance conditions being met the shares will vest after which the directors will be required to hold any vested shares until the fifth anniversary of the award.

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.

The awards are granted in accordance with the rules of the plan approved by shareholders. The maximum award level is 250% 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 during the post-vesting holding period will be managed in accordance with our dividend re-investment process.

#### Malus and clawback

Performance Share Plan awards are subject to malus and clawback provisions that can apply in the case of a misstatement of results, error in the calculation, misconduct by the individual, serious reputational damage, failures of risk management or corporate failure.

#### Adjustments

The Remuneration Committee has the power to adjust the annual award level, for example in the event of a material fall in share price, as well as the power to adjust the vesting level of an award based on the underlying performance of the company.

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.

#### Performance measures

PSP awards vest over a three year performance period and will be subject to financial and / or shareholder return targets. In addition, strategic and / or sustainability targets may also be included for a minority of future awards. In all cases, at least two-thirds of awards would be subject to financial and / or total shareholder return targets.

It is expected that during the policy period the following two metrics will form the majority of awards:

- the compound annual growth rate (CAGR) of underlying EPS; and
- the Total Shareholder Return (TSR) relative to a comparator group (e.g. the FTSE 31-100 excluding financial services companies)

Both of the above will be subject to a discretionary ROIC underpin and vesting is also subject to a broad Committee discretion that will enable the Committee to adjust the extent to which an award vests by overriding formulaic outcomes in order to reflect the wider financial circumstances of the group.

The prospective weightings, targets and measures for the year commencing 1st April 2020 are shown on page 122.

The Remuneration Committee retains the discretion to amend the weightings, targets and the performance measures detailed on page 122 for future awards as appropriate to reflect the business strategy and intends to look to include a further measure relating to sustainability during the Policy period. However, it is not anticipated that this would relate to more than 20% of a future award.

Any material changes to the approach set out on page 122 will be subject to appropriate dialogue with major shareholders.

#### Awards levels and vesting thresholds

Chief Executive – 200% of base salary.

Other Executive Directors – 175% of base salary.

There is no intention to increase the award levels to current executive directors beyond the levels noted. If a new executive director is appointed during the policy period, awards may be granted up to 250% of salary if necessary for recruitment purposes (both in connection with their appointment and on an ongoing basis). Any adjustment to the ongoing annual award level would be subject to appropriate dialogue with our shareholders.

Threshold vesting will result in a payment of up to 25% of the award. The actual threshold vesting will depend on the performance metric and the performance range set for the specific award.

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
<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 £20,000 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 15% of base salary for new Executive Directors. This is aligned to the cost of providing pension benefits to other employees in the UK.</p> <p>Current Executive Directors will see their pension cash supplement reduce from 25% to 15% over the next few years as follows:</p> <p>1st April 2020 – 23.0% of base salary  1st April 2021 – 20.0% of base salary  1st April 2022 – 15.0% of base salary</p>
<b>All employee share plan</b>		
<p>Encourages share ownership.</p>	<p>Executive Directors are entitled to participate in the company's all employee 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>	<p>Executive Directors are entitled to participate up to the same limits in force from time to time for all employees.</p>
<b>Shareholding requirements</b>		
<p>To encourage Executive Directors to build a shareholding in the company and ensure the interests of management are aligned with those of shareholders.</p>	<p>Executive Directors are expected to build up a shareholding in the company over a reasonable period of time, and upon cessation of employment are expected to retain a shareholding for a period of up to two years.</p> <p>Shares that count towards achieving these guidelines while an Executive Director 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 PSP awards which have vested and so are no longer subject to performance conditions but are within a holding period.</p> <p>Shares that count toward achieving the post-cessation guideline include the same as those while an Executive Director, except that only shares owned after 1st April 2020 count toward the post-cessation guideline. Executive Directors are expected to retain at least 50% of the net (after tax) vested shares that are released under the PSP and Deferred Bonus Plan 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. In addition, a director who ceases employment with the company is not required to purchase shares to satisfy the post-cessation shareholding requirement.</p>	<p>The minimum shareholding requirement while an Executive Director and for the two year period after cessation of employment is as follows:</p> <p>Chief Executive – 250% of base salary.  Other Executive Directors – 200% of base salary.</p> <p>If the Executive Director has not been able to build up their shareholding prior to cessation they are not required to purchase shares upon cessation to satisfy the requirement.</p> <p>There is no requirement for Non-Executive Directors to hold shares but they are encouraged to acquire a holding over time.</p>

## Governance

# Remuneration Report continued

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
<b>Non-Executive Director fees</b>		
<p>Attracts, retains and motivates Non-Executive Directors with the required knowledge and experience.</p>	<p>Non-Executive Director fees are determined by the board and 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 the 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 115.</p> <p>The fee levels are set subject to the maximum limits set out in the Articles of Association.</p>

## Selection of performance targets

### Annual Incentive Plan

Financial performance targets under the Annual Incentive 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 2020/21 are predominantly 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. 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 2020/21.

### Performance Share Plan

The performance targets under the PSP are set to reflect the company's longer term growth objectives at a level where the maximum represents genuine outperformance. The performance measures are currently based on underlying EPS and TSR.

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.

Total Shareholder Return is considered a simple and clear performance relative to a comparator group (FTSE 31-100 excluding financial services companies).

## Group employee considerations

The Remuneration Committee considers the directors' remuneration, along with the remuneration of the Group Management Committee (GMC), 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 (1,592 employees) participate in the annual incentive plan (with performance conditions similar to those described in the Remuneration Policy). In addition, the group's senior executives and senior management participate in the PSP in line with the same EPS and TSR performance conditions.

Executive Directors are required to hold any shares that vest until the fifth anniversary of the award, subject to the three year performance conditions being met 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 unit 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 basic salaries are fully competitive in the local markets. General pay increases take into account local salary norms, local inflation and business conditions.

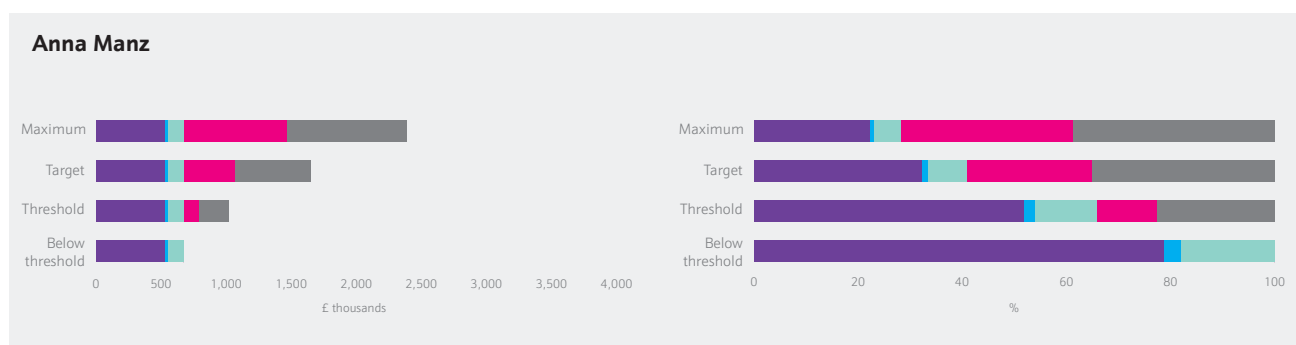
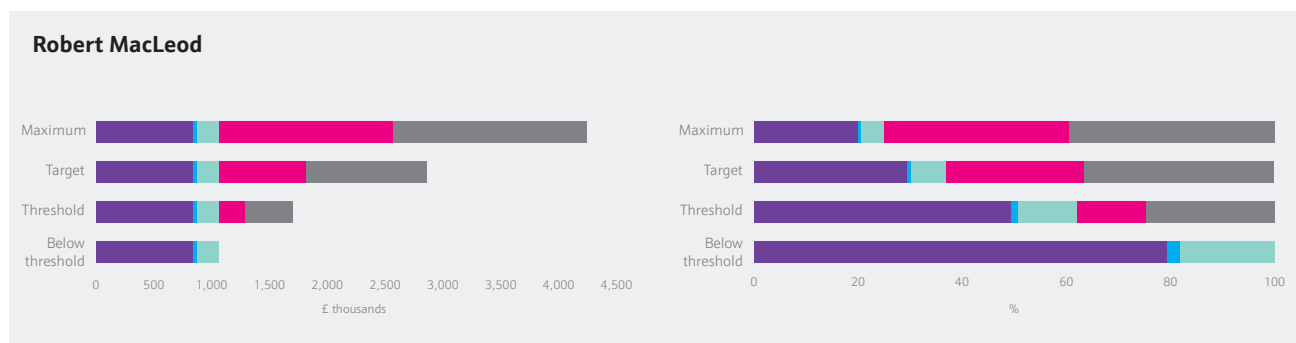
Johnson Matthey's 2019 UK gender pay gap was 6.0% (down from 8.5% in 2018). Johnson Matthey continues to focus on embedding a truly diverse and inclusive culture and we have seen some positive shifts in our Gender Pay Gap since last year. We know that a diverse workforce will enhance our innovation, decision making, product development and help us attract and retain the best talent. The full report, including details of what we are doing to eliminate the gap can be found on our website.

### 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 2020, 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 2020.

Value of package

Composition of package



Legend: Base salary (purple), Benefits (blue), Pension (green), Bonus (red), PSP (grey)

If JM's share price increased by 50%, maximum remuneration would be £5,082,000 for the Chief Executive and £2,850,000 for the Chief Financial Officer.

## Governance

# 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 107.
<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 page 109.
<b>Annual Incentive Plan</b>	The maximum level of opportunity is as set out in the policy table on page 107. The Remuneration Committee retains discretion to set different performance targets for a new externally appointed Executive Director, or adjust performance targets and / or measures in the case of an internal promotion, to be assessed over the remainder of the financial year, in which case any bonus payment would be made at the same time as for existing directors, such award to be pro-rated for the time served in the performance period.
<b>Performance Share Plan</b>	The maximum level of opportunity is as set out in the policy table on page 108. In order to achieve rapid alignment with Johnson Matthey'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 (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 109.

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 his 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 would be in equal monthly instalments.</p>		
<b>Termination payment – change of control</b>	<p>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.</p>		
<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 in his 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>	<p>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.</p>		
<b>Redundancy arrangements</b>	<p>The director is not entitled to any benefit under any redundancy payments arrangement operated by the company.</p>		
<b>Holiday</b>	<p>Upon termination for any reason, directors will be entitled to payment in lieu of accrued but untaken holiday entitlement.</p>		

<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.

## Governance

# 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 of the service contracts, 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 (Chairman)	R, N	1st June 2018	31st May 2021	6 months	6 months
Odile Desforges	A, R, N	1st July 2013	17th July 2019	1 month	1 month
Alan Ferguson	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	A, R, N	2nd April 2019	1st April 2022	1 month	1 month
Doug Webb	A, R, N	2nd September 2019	1st September 2022	1 month	1 month

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

## Annual Report on Remuneration

This section provides details of how the 2017 Directors' Remuneration Policy was implemented during 2019/20 and how we intend to apply the 2020 Directors' Remuneration Policy (subject to approval) in 2020/21.

### 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 2020 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 <sup>2</sup>	1st July 2013	2	1	50
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
Patrick Thomas	1st June 2018	5	5	100
Xiaozhi Liu	2nd April 2019	5	5	100
Doug Webb	2nd September 2019	2	2	100

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

<sup>2</sup> Odile Desforges stepped down from the board as a Non-Executive Director on 17th July 2019.

Since the end of the year, the committee has met four times. All committee members attended the meetings.

The Remuneration Committee's terms of reference, 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 our sole advisor in relation to the advice to the Remuneration Committee. The total fees paid to Korn Ferry in respect of its services to the committee during the year were £73,860 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 HR and benefit matters to those below the board. Korn Ferry is a signatory to the Remuneration Consultants Group Code of Conduct.

The committee is satisfied that the advice provided by Korn Ferry was independent and objective and that the provision of additional services did not compromise that independence. The committee is also satisfied that the team who provided that advice do not have any connection to Johnson Matthey that may impair their independence and objectivity.

Herbert Smith Freehills is the committee's legal advisor. There was no requirement during 2019/20 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 2020 is available on our website.

## Remuneration for the year ended 31st March 2020

### 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 2020, 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>4</sup> £'000		Total £'000		Total fixed remuneration		Total variable remuneration	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Executive Directors</b>																
Robert MacLeod	838	818	22	28	392	660	-	1,086	210	205	1,462	2,784	1,070	1,051	392	1,733
Anna Manz	528	515	19	22	206	369	-	599	132	129	885	1,627	679	666	206	961
John Walker	480	468	65	64	144	328	-	525	120	117	809	1,496	665	649	144	847
<b>Non-Executive Directors</b>																
Patrick Thomas	369	256	-	-	-	-	-	-	-	-	369	256	-	-	-	-
Odile Desforges <sup>1</sup>	20	65	-	-	-	-	-	-	-	-	20	65	-	-	-	-
Alan Ferguson	98	93	-	-	-	-	-	-	-	-	98	93	-	-	-	-
Jane Griffiths	67	65	-	-	-	-	-	-	-	-	67	65	-	-	-	-
Chris Mottershead	84	89	-	-	-	-	-	-	-	-	84	89	-	-	-	-
John O'Higgins	67	65	-	-	-	-	-	-	-	-	67	65	-	-	-	-
Xiaozhi Liu <sup>2</sup>	64	-	-	-	-	-	-	-	-	-	64	-	-	-	-	-
Doug Webb <sup>3</sup>	39	-	-	-	-	-	-	-	-	-	39	-	-	-	-	-

<sup>1</sup> Odile Desforges stepped down from the board as a Non-Executive Director on 17th July 2019.

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

<sup>3</sup> Doug Webb joined the board as a Non-Executive Director on 2nd September 2019.

<sup>4</sup> Represents a cash allowance in lieu of a pension.

### 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 2020. The figure includes any amounts deferred and awarded as shares.
<b>Long term incentives</b>	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 actual share price for shares that vested on 1 August 2019 (3,166 pence) and the average share price from 1st January 2019 to 31st March 2019 (3,058 pence) for the unvested portion of the award. The 2020 figure represents the value of the shares that satisfied performance conditions on 31st March 2020.
<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.

### Payments to former directors\*

There were no payments made to, or in respect of, any former director in 2019/20 that haven't been previously disclosed.

### Payments for loss of office\*

Mr Walker was paid £9,692 for accrued but untaken holiday at the date he retired. This was the only payment for loss of office made in the year.

The remuneration payable to Mr Walker following his retirement is as follows:

### Annual Incentive Plan

Subject to the performance conditions of the Annual Incentive Plan being met, Mr Walker will receive a bonus for the year ended 31st March 2020 on the normal bonus award date in 2020. The maximum level of bonus possible was 150% of annual base salary, and the actual amount payable was 30% of annual base salary (20% of maximum). In accordance with the rules of the plan, a proportion of any bonus will be awarded as shares which will be deferred for a period of three years.

Mr Walker was awarded 4,521 shares under the Deferred Bonus Plan (DPB) in 2017, 6,309 shares under the DBP in 2018 and 5,215 shares under the DBP in 2019. These shares will be released to him on their normal release dates in August 2020, August 2021 and August 2022 respectively.

Dividend equivalent shares will accrue on deferred bonus awards during the relevant vesting period.



## Governance

# Remuneration Report continued

### Performance Share Plan

Shares allocated to Mr Walker in August 2016 under the PSP met the performance conditions and are being released to him in three equal tranches of 5,562 shares. The first tranche was released in August 2019 and the second and third tranches will be released in August 2020 and August 2021 respectively.

The 2017 PSP award of 26,521 shares will not be pro-rated as Mr Walker will have been employed for the entire performance period. However, the 2018 PSP award of 21,980 shares and 2019 PSP award of 26,711 shares will be pro-rated to 14,653 and 8,903 shares based on his completed service since the start of the relevant performance period.

In all cases, final vesting will be determined by reference to the achievement of the relevant performance conditions and subject to those conditions being met the 2017 and 2018 PSP awards will vest in three equal tranches on the third, fourth and fifth anniversary of the award. The 2019 PSP award will vest on the fifth anniversary of the award.

Dividend equivalent shares will accrue on awards between the end of the three year performance period and the date the shares finally vest and are released to Mr Walker.

No PSP award will be made to Mr Walker in 2020.

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

#### 1 Annual bonus for the year ended 31st March 2020

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 the maximum opportunity.

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%

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 2% above the targets set for 2018/19). Given the challenging 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 2020 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	509 (95% of Target)	536	563 (105% of Target)	454	84.7
Clean Air underlying operating profit <sup>2</sup>	£ million	375 (95% of Target)	395	415 (105% of Target)	299	75.9
Group total working capital days (including precious metal) <sup>3</sup>	days	53 (105% of Target)	51	48 (95% of Target)	44	87.1
Group working capital days (excluding precious metal) <sup>3</sup>	days	59 (105% of Target)	56	53 (95% of Target)	63	112.3

<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> Group working capital days is measured 50% against total working capital days including precious metal 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>	Deliver key milestones for Battery Materials commercialisation plan. Continued development of leading eLNO material and clearly articulate and deliver against Battery Materials scale-up strategy.	In line with the Board's agreed strategy, review the company's business portfolio and implement plans to maximise shareholder value.	Deliver a step change in our gasoline technology demonstrated by customer feedback and, where applicable, business wins across all regions.
<b>Summary outcome</b>	The strategy has been clearly articulated and associated capital projects are progressing. There has been good progress during the year with certain OEMs including the achievement of full cell testing in some cases.	Good progress made with a number of strategic reviews completed, action plans put in place, with progress to enhance value ongoing.	Some good progress made with our technology development, plus a number of new gasoline business wins achieved.
	<b>Outcome: 20% out of 25%</b>	<b>Outcome: 20% of 25%</b>	<b>Outcome: 10% of 25%</b>
<b>Objective</b>	Ensure further enhancements in Commercial Excellence delivering budgeted benefits plus the implementation of consistent group wide customer satisfaction metrics; the utilisation of customer value proposition tools; and meeting OTIF requirements.	Deliver Operational Excellence targets of at least £30m improvements.	Deliver £19m of value from the Manufacturing Excellence deliverables for Clean Air.
<b>Summary outcome</b>	Good progress made overall. Customer satisfaction metrics rolled out across the group, with key insights learned and being acted on. Commercial benefits of £23.5m delivered compared with budget of £16m.	Delivered savings of £36m against identified projects.	Delivered £26m savings compared with a budget of £19m.
	<b>Outcome: 20% of 25%</b>	<b>Outcome: 20% of 25%</b>	<b>Outcome: 20% of 25%</b>
<b>Objective</b>	Continue to improve senior talent across the organisation. In particular ensure a successful succession for Clean Air plus new appointments to Battery Materials and Technology, as well as defining and developing the New Business Development organisation.	Ensure that the Cyber Security Infrastructure Improvement Plan is on track to deliverable milestones and in line with budget.	Ensure that the Clean Air capital projects, including the ramp up of production in Poland and Zhangjiagang, are on budget and delivered in line with milestones.
<b>Summary outcome</b>	New appointments made in all key areas at the senior management level, with some progress made at the next level within the organisation improving the overall leadership strength.	Excellent progress made, with all milestones achieved with the program delivering tangible benefits across all areas within scope.	Poland is completed and Zhangjiagang is almost complete. The investments in these projects was more than originally budgeted. There were some delays, however these delays were outside our control.
	<b>Outcome: 20% of 25%</b>	<b>Outcome: 25% of 25%</b>	<b>Outcome: 10% of 25%</b>
<b>Objective</b>	Drive employee engagement focusing on the key factors to drive a 2-point improvement in engagement.	Successfully deploy SAP Unify at 6 sites with 4 deployment GO-Live dates. Mexico, Zhangjiagang, Poland, USA, South Africa and Shanghai. Deliver efficiency savings identified.	Successfully deploy SAP Unify at 6 sites with 4 deployment GO-Live dates. Mexico, Zhangjiagang, Poland, USA, South Africa and Shanghai. Deliver efficiency savings identified.
<b>Summary outcome</b>	An overall increase in ownership of employee engagement amongst management, which supported an increase of four points in employee engagement.	The SAP Unify system was deployed in UK Corporate, Mexico, South Africa and Poland. The roll out of the systems across the rest of the group will continue, with the deployment team well placed to deliver this efficiently.	The SAP Unify system was deployed in Mexico, South Africa and Poland. Business readiness issues in Clean Air complicated and delayed some further deployments.
	<b>Outcome: 20% of 25%</b>	<b>Outcome: 15 % of 25%</b>	<b>Outcome: 10% of 25%</b>
	<b>80% achievement</b>	<b>80% achievement</b>	<b>50% achievement</b>

<sup>1</sup> Each strategic objective has an equal weighting of 25%.

## Governance

# Remuneration Report continued

Based on performance against the above targets, bonuses for the year ended 31st March 2020 were:

	£'000	% salary
Robert MacLeod, Chief Executive	392	47
Anna Manz, Chief Financial Officer	206	39
John Walker, Sector Chief Executive, Clean Air	144	30

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 2020\*

The table below sets out the performance targets for the long term incentive awards made in August 2017 with a three year performance period which ended on 31st March 2020. 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 -1.6% per annum. As a result, no shares will vest. 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	52,955	–	–	–
Anna Manz	175	28,451	–	–	–
John Walker	175	26,521	–	–	–

## 3 Variable pay awarded during the year ended 31st March 2020\* (Long term incentive awards subject to future performance)

In 2019/20 long term incentive awards were made to the Executive Directors in respect of the three year performance period to 31st March 2022. 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> Represents 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 2019	200	53,324	£1,676,880
Anna Manz	1st August 2019	175	29,382	£923,976
John Walker	1st August 2019	175	26,711	£839,981

<sup>1</sup> Face value is calculated using the award share price of 3,144.7 pence, which is the average closing share price over the four week period commencing on 30th May 2019.

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

The table below shows the history of long term incentive awards granted since 2010.

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
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%	-1.6%	–
2018	2021	200	175	4%	10%	n/a	n/a
2019	2022	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 in 2019/20. 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 2020 in the UK and US pension schemes are given below:

	Total accrued annual pension entitlement at 31st March 2020 £'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 2020.

	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	59,335	150,162	56,649
Anna Manz	5,961	82,007	27,647
John Walker	17,765	75,212	27,351
<b>Non-Executive Directors</b>			
Patrick Thomas	8,194	–	–
Odile Desforges	1,416	–	–
Alan Ferguson	2,078	–	–
Jane Griffiths	2,671	–	–
Chris Mottershead	2,809	–	–
John O'Higgins	1,500	–	–
Xiaozhi Liu	–	–	–
Doug Webb	1,600	–	–

<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.

## Governance

# Remuneration Report continued

Directors' interests as at 11th June 2020 were unchanged from those listed above, other than that the trustees of the all employee share matching plan have purchased a further 36 shares for Robert MacLeod and 39 shares for Anna Manz.

Executive Directors are expected to build up a shareholding in the company. The minimum shareholding requirement for the year ended 31st March 2020 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 2020 (% of base salary) <sup>1,2</sup>
Robert MacLeod	350
Anna Manz	161
John Walker	238

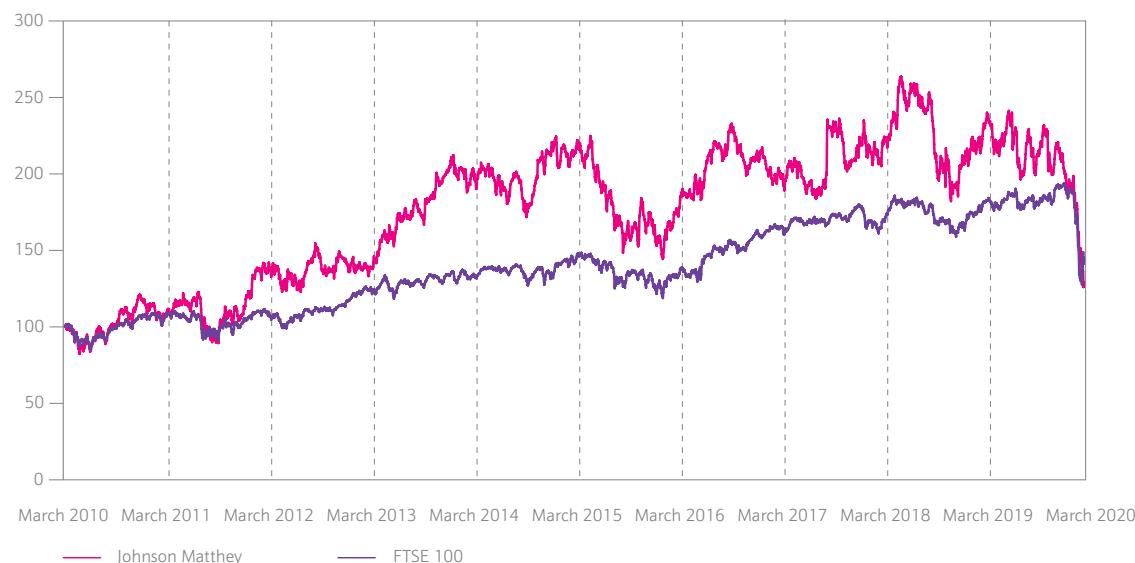
<sup>1</sup> Value of shares as a percentage of base salary is calculated using a share value of 2,529.80 pence, which was the average share price prevailing between 1st January 2020 and 31st March 2020.

<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).

## 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 1st April 2010 to 31st March 2020 against the FTSE 100 as the most appropriate comparator group, rebased to 100 at 1st April 2010.



As at 31st March 2020, Johnson Matthey was ranked 91 by market capitalisation in the FTSE 100.

### Historical data regarding Chief Executive's remuneration

	2010/11	2011/12	2012/13	2013/14 <sup>1</sup>	2014/15 <sup>2</sup>	2015/16 <sup>3</sup>	2016/17	2017/18	2018/19	2019/20
Single total figure of remuneration	2,095	1,870	3,025	3,855	2,539	1,429	1,971	2,013	2,784	1,462
Annual incentives (% of maximum)	100	75	–	71	54	15	40	69	45	26
Long term incentives (% of award vesting) <sup>4</sup>	52	100	100	75	–	33	28	–	67%	–

<sup>1</sup> Figures prior to 2014/15 are in respect of Neil Carson.

<sup>2</sup> The figures for 2014/15 are in respect of both Robert MacLeod and Neil Carson, who both held the position of Chief Executive in the year. The single total figure of £2,539 comprises £1,594 for Robert MacLeod and £945 for Neil Carson.

<sup>3</sup> Figures from 2015/16 onwards are in respect of Robert MacLeod.

<sup>4</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 115.

## 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 2020. 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 6.5%
<b>Bonus</b>	A decrease of 41%	A decrease of 61% <sup>2</sup>
<b>Benefits</b>	No change in benefits policy. No change on overall costs between 2018/19 and 2019/20.	No change in benefits policy. No change on overall costs between 2018/19 and 2019/20.

<sup>1</sup> This includes market adjustments and promotions.

<sup>2</sup> Bonus data was estimated for the comparator population as it was not administratively possible to calculate the bonus due for 2019/20 before publication of this report.

## 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 2019 and 31st March 2020.

	Year ended 31st March 2020 £ million	Year ended 31st March 2019 £ million	% change
Payments to shareholders – special dividends	–	–	–
Payments to shareholders – ordinary dividends	167	156	7%
Total remuneration (all employees) <sup>1</sup>	743	730	3%

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

## CEO to employee pay ratio

The table below shows the ratio of CEO to employee pay for 2019/20. We have compared the single total figure of remuneration for the CEO to the total pay and benefits of UK employees who are ranked at the lower quartile, median and upper quartile across all UK employees as at 31 March 2020.

CEO pay ratio	2020
Method	A – total pay and benefits in 2019/20
CEO Single figure	1,462,000
Upper quartile	22:1
<b>Median</b>	<b>29:1</b>
Lower quartile	37:1

Bonus data for UK employees was omitted from the calculation as it was not administratively possible to calculate these bonuses before the publication of this report. However, the calculation will be revised to include these bonuses once available and will be disclosed in the 2020/21 report. Excluding the 2019/20 bonus payable to the CEO from the calculation would result in the following pay ratios: lower quartile – 27:1, median – 21:1 and upper quartile – 16:1.

The salary and total pay for the individuals identified at the lower quartile, median and upper quartile positions in 2020 are set out below:

2020	Salary	Total Pay
Upper quartile individual	£52,291	£66,873
Median individual	£42,324	£50,771
Lower quartile individual	£35,071	£40,029

Our principles for pay setting and progression are consistent across the organisation as a whole. Underpinning our principles is a need to provide a competitive total reward so as to enable the attraction and retention of high calibre individuals without over-paying and providing the opportunity for individual development and career progression. The pay ratios reflect the changes in individual accountability which is recognised through our pay structures which include greater variable pay opportunity for more senior positions. This is reflected in the fact that the CEO's variable pay opportunity is higher than those employees noted in the table reflecting the weighting towards long term value creation and alignment with shareholder interests inherent in this role. We are satisfied that the median pay ratio is consistent with our wider pay, reward and progression policies for employees. All our employees have the opportunity for annual pay increases, career progression and development opportunities.

## Governance

## Remuneration Report continued

## Implementation of the Directors' Remuneration Policy for 2020/21

The table below sets out how the Remuneration Committee intends to apply the Directors' Remuneration Policy for the year ended 31st March 2021.

<b>Salary</b>	The Executive Directors will not receive a salary increase for 2020/21, which is in line with the policy applied to all other UK employees.
<b>Benefits</b>	No change to policy applied in 2020/21.
<b>Pension</b>	New Executive Directors will have a maximum pension cash supplement of 15%. Current Executive Directors will see their pension cash supplement reduce from 25% to 15% over the next few years as follows: 1st April 2020 – 23.0% of base salary    1st April 2021 – 20.0% of base salary    1st April 2022 – 15.0% of base salary
<b>Annual incentives</b>	The maximum bonus opportunity for 2020/21 remains unchanged at 180% of salary for the Chief Executive and 150% of salary for the other Executive Directors. 2020/21 bonus will be based on underlying profit before tax (60%), working capital (20%) and 20% weighting to non-financial objectives. Targets for the Chief Executive and Chief Financial Officer will be based on group performance. The range around targeted performance levels to apply to the 2020/21 annual bonus have been broadened versus 2019/20 and the absolute level of profit needing to be achieved has also been reset to better reflect the current challenging market outlook given the impact of COVID-19. The recalibration of targets has been set with reference to both internal and external planning. The 2020/21 targets are considered similarly challenging to those set in 2019/20 allowing for current market conditions. The Remuneration Committee considers the forward looking targets to be commercially sensitive but full retrospective disclosure of the actual targets will be included in next year's Directors' Remuneration report. 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.
<b>Long term incentives</b>	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 and relative TSR performance. The 2020 Performance Share Plan award will be 50% based on EPS growth targets and 50% on TSR performance. The EPS target will be 15% vesting for 3% p.a. underlying EPS growth, increasing on a straight line basis to 100% vesting for 8% p.a. underlying EPS growth or above. EPS growth targets set for the period to 31 March 2023 have been set after having regard to the medium to long term impact of COVID-19 on our markets. In the context of the significant demand and supply side shocks in our markets, the range of targets set, which took account of internal planning and external expectations for our performance (where available), are considered similarly challenging to those set on prior years allowing for current circumstances. The Committee also noted the ROIC underpin and the more general discretion to adjust vesting based on group performance when setting the targets which, overall, is seen to provide a demanding financial performance targets for the next three year period. The TSR target will be 25% vesting for median performance, increasing on a straight line basis to 100% vesting for upper quartile performance. The TSR peer group will be the FTSE 31 – 100 (excluding financial services companies). In relation to the performance targets, the Committee retains discretion to adjust vesting outcomes. This may include adjusting TSR vesting if it was not considered aligned with the underlying financial performance of the Company during the performance period or adjusting EPS vesting outcomes for relevant events (e.g. material acquisitions and divestments or material changes in corporation tax rates) with the objective of any adjustments being to ensure that the performance targets fulfilled their original intent and were no more or less challenging but for the relevant events taking place during the performance period. Any use of discretion would be detailed in the 2023 Directors' Remuneration Report. Awards vest in year three and are then subject to a two year holding period.
Chairman and Non-Executive Director fees	Non-Executive Directors will not receive a fee increase in 2020/21, in line with treatment of Executive Directors and wider global workforce.

## 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 2019 AGM.

Resolution	Number of votes cast		For	Against	Votes withheld
Remuneration Policy	136,108,674	125,583,227 (92.3%) <sup>1</sup>		10,525,447 (7.7%) <sup>1</sup>	3,139,449
Remuneration Report	149,380,783	147,872,019 (98.99%) <sup>1</sup>		1,508,764 (1.01%) <sup>1</sup>	1,370,852

<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 98.99% vote in favour of the Annual Report on Remuneration at the 2019 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 11th June 2020 and signed on its behalf by:



**Chris Mottershead**  
Chair of the Remuneration Committee

# Directors' Report

The Directors' Report required under the Companies Act 2006 (the 2006 Act) comprises this Corporate Governance Report (pages 78 to 122) including the Responsible Business section for disclosure of our carbon emissions in the Strategic Report (pages 38 to 52). The management report required under Disclosure Guidance and Transparency Rule 4.1.8R comprises the Strategic Report (pages 4 to 75) which includes the risks relating to our business and the Directors' Report. This Directors' Report fulfils the requirements of the corporate governance statement required under Disclosure Guidance and Transparency Rule 7.2.

## Directors

The names of the directors who held office during the year are set out on page 80.

The biographies of all the directors serving at the date of this annual report are shown on pages 78 and 79.

## 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 company. 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 (the Articles), 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

- at each Annual General Meeting (AGM) all of the directors will retire and be eligible for re-election (except any director appointed by the directors after the notice of that AGM meeting has been given and before that AGM has been held).

[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, UK legislation including the 2006 Act and any directions given by the company in general meeting.

The directors are authorised by the company's Articles 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 in the Directors' Report under the heading 'Purchase by the company of its own shares'.

## 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 2020 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 119. The Remuneration Report also sets out details of any changes in those interests between 31st March 2020 and 11th June 2020.

## 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 FCA's 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 24.50 pence per share (2019: 23.25 pence) was paid in February 2020. The directors recommend a final dividend of 31.125 pence per share in respect of the year (2019: 62.25 pence), making a total for the year of 55.625 pence per share (2019: 85.50 pence), payable on 4th August 2020 to shareholders on the register at the close of business on 19th June 2020.

Other than as referred to under 'Employee share schemes' on page 124, 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 the company with their dividend payment. Further information and a mandate can be obtained from our registrar, Equiniti, whose details are on page 223 and on our website.

## Asset reunification

The board is committed to proactively seeking to unite shareholders promptly with their shares and dividend payments. To date, we have successfully reunited £0.5 million of share and dividend payments through our registrar, Equiniti, and its partner ProSearch.

## Share capital

### Capital structure

As at 31st March 2020, 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 2019 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 2020 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.



## Governance

# Directors' Report continued

### Rights and obligations attaching to share

The rights and obligations attaching to the ordinary shares in the company are set out in the Articles.

As at 31st March 2020 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.

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, or if entitled under the Uncertificated Securities Regulations 2001. As at 31st March 2020 and 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 JIMPLY. When dividends are paid to shareholders, the Depositary converts those dividends into US dollars, net of fees and expenses, and distributes the net amount to ADR holders. Contact details for BNY Mellon are on page 223.

### Interests in voting rights

The following information has been disclosed to the company under the FCA's 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 2020:			
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	14,528,304	7.51%

<sup>1</sup> Total voting rights attaching to the issued ordinary share capital of the company (excluding treasury shares) at the time 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 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, and no changes have been notified to the company between 31st March 2020 and 11th June 2020.

### Employee share schemes

At 31st March 2020, 4,395 current and former employees were shareholders in the company through the group's employee share schemes. Through these schemes, current and former employees held 2,667,797 ordinary shares, 1.38% of issued share capital, excluding treasury shares as at 31st March 2020. Also as at 31st March 2020, 1,355,834 ordinary shares had been awarded but had not yet vested under the company's long term incentive plan to 268 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.

### Contracts with controlling shareholders

During the year there were no contracts of significance (as defined in the FCA's 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 2020 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 2020 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. These are not deemed by the company to be significant in terms of their potential effect on the group as a whole.

The group also 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 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 the rights will vest and become exercisable on a change of control subject to the satisfaction of relevant performance conditions. As at 31st March 2020 and as at the date of approval of this annual report, there were no other agreements between the company or any subsidiaries 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.

### Suppliers

We recognise the importance of good supplier relationships to the overall success of our business. Further information on our payment practices can be found on the Government's reporting portal.

In addition, the company pledged in April 2020 to support any small supplier that is suffering hardship and requests early payment terms as a result of the impact of COVID-19 during April, May and June 2020.

### 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 engagement**

A description of the action taken by the company during the year relating to employee engagement. Read more on page 42.

- **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. Read more on page 44.

- **Research and development activities**

An indication of the activities of the group in the field of research and development. Read more on pages 19 to 21 and 61.

- **Likely future developments**

An indication on likely future developments in our business. Read more on pages 4 to 75.

- **Stakeholder engagement and Section 172 statement**

Information about our stakeholders, how the board considers their views in regard to principal decisions and can be found on pages 28 to 33 and page 85.

- **Greenhouse gas emissions**

Disclosures relating to greenhouse gas emissions. Read more on page 48.

- **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. Read more on pages 65 to 66 and pages 180 to 186.

- **Human rights and anti-bribery and corruption**

Disclosures relating to the group's human rights and anti-bribery and corruption policies. Read more on page 44.

- **Diversity**

Read more about the group's diversity on pages 43 and 44.

- **Non-financial key performance indicators**

Read more about the group's non-financial key performance indicators on pages 35 and 36.

## Governance

# Directors' Report continued

### Disclosures required by Listing Rule 9.8.4R

Disclosures required by the FCA's 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. Interest capitalised	(1)	Page 156
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 124
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 123
10. Agreements with controlling shareholder	(14)	Not applicable

### Important events since 31st March 2020

There have been no important events affecting the company or any subsidiary since 31st March 2020.

### 2020 Annual General Meeting

Our 2020 AGM will be held on 23rd July 2020 at 5th Floor, 25 Farringdon Street, London EC4A 4AB. 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.

Our board welcomes the opportunity for face to face communication with our shareholders. However, given the uncertain circumstances following the COVID-19 pandemic and in light of the UK Government guidance to avoid public gatherings, shareholders will not be able to attend and vote at the AGM in person.

Therefore, we strongly encourage all shareholders to cast their votes by submitting their proxy forms either electronically or by post. Shareholders should appoint the Chair of the Meeting as their proxy in order for their vote to be counted at the AGM. Shareholders are invited to send their questions relating to the business being dealt with at the meeting to the company via the website or by email [jmir@matthey.com](mailto:jmir@matthey.com). Answers to questions will be published on our website as soon as practicable following the meeting. Further information can be found within the Notice of AGM.

[matthey.com/agm20](https://www.matthey.com/agm20)

### Reporting of results and Capital Markets Day

We report formally to our shareholders when we publish our full and half-year results. Following publication of our 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 September 2019, we also held a Capital Markets Day for our institutional investors and analysts. The transcript, presentation and factsheet are available on our website.

[matthey.com/cmd-19](https://www.matthey.com/cmd-19)

### Articles of Association

The Articles may only be amended by a special resolution at a general meeting of the company. The company's current Articles were adopted on 17th July 2019 and are available on our website at [matthey.com/corporate-governance](https://www.matthey.com/corporate-governance).

### 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.

The Directors' Report was approved by the board on 11th June 2020 and is signed on its behalf by:

*Linda Bruce-Watt*

**Linda Bruce-Watt**  
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 have elected to prepare the parent company accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 of the group 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 group and 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, Chair
- Robert MacLeod, Chief Executive
- Anna Manz, Chief Financial Officer
- 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
- Doug Webb, Non-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 11th June 2020 and is signed on its behalf by:



**Patrick Thomas**  
Chair